


NATION'S BUSINESS

JULY • 1941



An illustration of a military training camp. In the foreground, three soldiers are shown. One soldier on the left is standing and looking towards the right. In the center, a soldier is sitting on a bench, shouting with his hands cupped around his mouth. To his right, another soldier is sitting and looking towards the center. In the background, there are several wooden buildings, some with multiple windows, and a few more soldiers walking around. The sky is cloudy.

**More than a hundred
new cities in the U.S.!**

EVERY big military training camp is a city in itself. Like any city, it needs telephones.

But an ordinary city grows gradually over the years—and its telephone system grows with it. A *military* city may be built in a few months—often far from other towns. Here a telephone system must be set up *fast*—and linked with every other national nerve center by Long Distance lines.

It's a big job—made more so by the fact that some six hundred other expanding army and navy establishments—forts, flying fields, supply depots, arsenals, shipyards, etc.—also need hurry-up telephone facilities.

The Bell System is doing its best to meet these urgent defense needs—and at the same time satisfy the great and growing civilian demand for day-to-day telephone service.

Long Distance
helps unite the nation



"THE TELEPHONE HOUR" is broadcast every Monday. (N. B. C. Red Network, 8 P. M., Eastern Daylight Saving Time.)



For each purpose - **ONLY ONE SERVES BEST**

You wouldn't use a shot-gun for big game . . . nor would you have much luck hunting partridge with a rifle. Each gun is designed to perform its own particular job.

For 55 years, Arabol has pioneered in adhesives with the knowledge that each adhesives job is best performed by a product designed particularly for the job. That is why there are today 8,500 adhesives formulae in the Arabol files, with 900 of them in active, daily use—each designed for a special purpose.

The Arabol Representative who calls on you is technically trained—well qualified to help you find the one best answer to each of your adhesives requirements.

Many problems can be whipped right in your factory, in one day. At all times, he can call on any of three Arabol laboratories for quick action on new or special needs. See the Arabol Representative when he calls.

WRITE us for Bulletin No. 36. It tells of current developments in gums, glues and pastes for your particular line of business.

THE ARABOL MFG. CO.

PIONEERING SINCE 1885

Executive Offices: **110 East 42nd St., New York, N. Y.**

Offices and Factories:

BROOKLYN · CHICAGO · SAN FRANCISCO

Branches & Warehouses in Principal Cities

Write us for Bulletin No. 36→

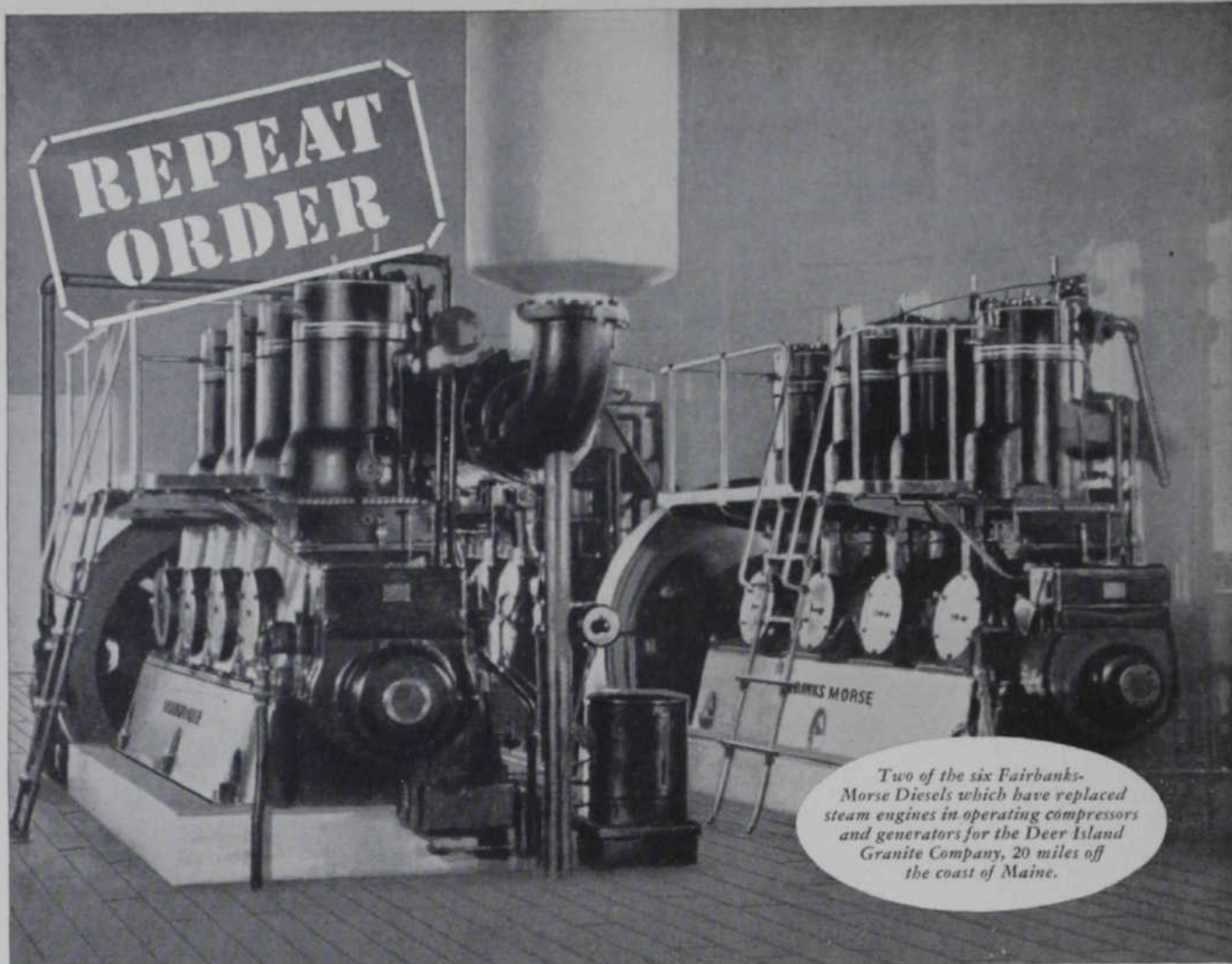


And—for Your Offices—



You'll find sound values in the pastes, glues and mucilages made by a firm with 55 years' experience in supplying the adhesives requirements of a hundred industries. Write us for the name of the nearest Arabol distributor.

Adhesives? . . . **ARABOL!**



NOW 8 FAIRBANKS-MORSE DIESELS

Save for Deer Island Granite Co.

Two Fairbanks-Morse Diesels that had previously given three years of 24-hour-a-day service elsewhere, started the Deer Island Granite Company on its swing from steam to Diesel power.

In 1940, a new 300-hp. Model 32 F-M Diesel was added to the plant, reducing the former steam cost of driving a generator from about \$25 to \$5 a day.

Two more F-M Diesels complete the Deer Island inventory—marine models which power the firm's ferryboat.

This story of repeated purchases of F-M Diesels is the story of hundreds of power users everywhere—evidence of the lastingly dependable service and low operating cost given by F-M Diesels.

To profit to the utmost from Diesel economies, bring your power problems to the country's largest manufacturer of a complete line of Diesels. Fairbanks, Morse & Co., Dept. G56, 600 S. Michigan Ave., Chicago, Ill. Branches and service stations throughout the United States and Canada.

FAIRBANKS-MORSE DIESELS



MOTORS
PUMPS

ELECTRICAL MACHINERY
FAIRBANKS SCALES

RAILROAD EQUIPMENT
WATER SYSTEMS

WASHERS-IRONERS
FARM EQUIPMENT

STOKERS
AIR CONDITIONERS

Tested-Certified-Guaranteed



How to be sure about FLUORESCENT LIGHTING

- 1. Get Certified Fixtures.** MAZDA lamp manufacturers set up 50 rigid specifications for better light and better service under which Fleur-O-Lier fixtures are tested. Certification is by world-famous Electrical Testing Laboratories of New York City.
- 2. Get Guaranteed Fixtures.** Fleur-O-Lier fixtures are guaranteed by their manufacturers to be free from any defects in material, workmanship or assembly for 90 days. See guarantee above.
- 3. Choose from a wide variety.** Be sure that the fixtures you buy fit your specific needs. There are over 100 different sizes and designs of Fleur-O-Liers available for your selection.
- 4. Get competent advice.** Fluorescent lighting will serve you best if it is properly installed. Ask your local lighting company for suggestions on how to get the most out of your investment in fluorescent.

And when you buy fluorescent fixtures insist that they carry the FLEUR-O-LIER tag at the right.

For your protection
FLEUR-O-LIER Fixtures
are Tested and Certified on:

- Efficient lighting performance.
- Dependable ballasts and starters.
- Durability and safety.
- Minimum flicker.
- Ease of maintenance.
- High power factor—85% or more—
and 44 other rigid specifications.

Look
for
this
tag



It identifies Tested, Certified,
Guaranteed FLEUR-O-LIERS

FLEUR-O-LIER Manufacturers

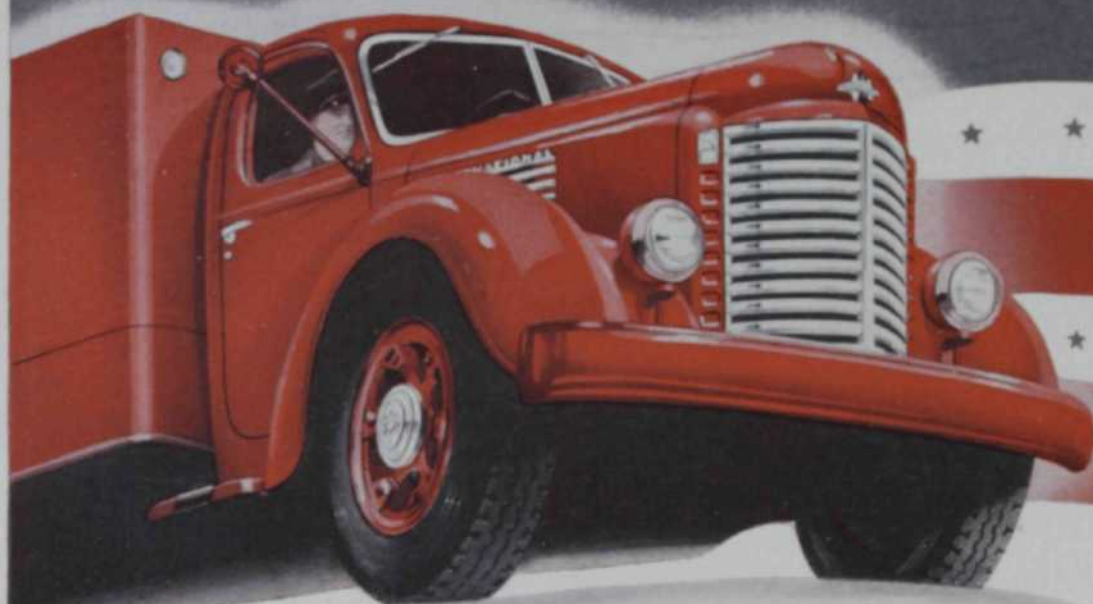
Participation in the FLEUR-O-LIER MANUFACTURERS' program is open to any manufacturer who complies with FLEUR-O-LIER requirements

TEAR OUT AND MAIL

Fleur-O-Lier Manufacturers • 2116 Keith Bldg., Cleveland, Ohio
Please send me FREE new booklet "50 Standards for Satisfaction," together with list of Fleur-O-Lier manufacturers.

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Address _____
City _____ State _____

Talking of "Bases" THESE TRUCKS HAVE 'EM!



The NAVY needs bases, the ARMY needs bases,
the AIR FORCE needs bases... *and* **TRUCKS** need bases, too



And that goes whether the trucks are military trucks or commercial trucks. Whether the trucks are working for Uncle Sam or working directly for you.

Truck service is a very important factor in truck operation—a most important factor in trucking costs no matter what work the trucks are doing or who they're doing it for.

International Harvester has always realized its responsibility to International Trucks, wherever these trucks may be.

Truck Service is built into Internationals at the factory and factory service is always available to owners, wherever they may be, through the *largest Company-owned truck service organization*.

There are 250 Company-owned truck branches in the U. S. and Canada. And at every one of these branches, International Trucks get factory-standard service, with factory-standard parts. No lost time, no lost motion. No tinkering, no guesswork. Swift. Sure. Economical. And International dealers everywhere, as well as the branches, always stand ready "at Your Service!"

Whatever your business, there's an International built to fit your job exactly—and to do it at lower cost. All sizes, from ½-ton to powerful six-wheelers. Write for catalog.

INTERNATIONAL HARVESTER COMPANY
180 North Michigan Ave. Chicago, Illinois

INTERNATIONAL

INTERNATIONAL TRUCKS

★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★

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AIRPLANE ENGINES AND MILITARY TRUCKS

for America's defense!

★

MOTOR CARS AND TRUCKS

for America's transportation!

★

FOR the fourth time in its 89-year history, the Studebaker organization has been given a highly important national defense assignment. Recognizing the ability of Studebaker engineers and production executives to get things done with dispatch and efficiency, the government has asked Studebaker to build airplane engines on a large scale. Arrangement of facilities for this purpose is proceeding speedily.

Studebaker is also engaged in the production of military trucks for use by the armed forces of the United States. And the

Studebaker organization is continuing to meet the needs of the general public by providing America's motorists with low-cost transportation of highest quality—Studebaker President Eight, Commander and Champion passenger cars—money-saving Studebaker trucks and commercial cars.

To the nation at large, to the Studebaker dealer organization and every Studebaker owner, Studebaker pledges itself to discharge all its responsibilities to the best of its ability and in a manner that will add luster to the Studebaker name.



H. S. VANCE, CHAIRMAN
PAUL G. HOFFMAN, PRESIDENT

Smart Secretary



So the Boss bought that Victor portable adding machine. And we understand that it so increased efficiency in his own office that he is going to order more Victors for other departments.



Professional figure service for professional men



Profit protection for progressive merchants



On-the-spot checker for busy factories

YOU can save time and money, and speed up office operations, with handy, precision-built Victor portables. Whatever your business may be, there's a model to fit, at a price to surprise you.

Victor "straight" portable adders come in three capacities, 10-key or full keyboard, at \$49.50; \$59.50, and \$79.50; standard electrics start at \$134.50; and the newest Victor portable, which adds and subtracts, is only \$79.50. And 23 years' experience making adding machines only is wrought into every model.

Your Victor representative will help you choose the right machine for your business. Phone him today or write Victor Adding Machine Co., Dept. N-7, 3900 N. Rockwell St., Chicago.

It adds and subtracts—Victor's newest portable, \$79.50



VICTOR

ADDING MACHINES

THROUGH THE Editor's Specs

"The Fourth," 1941 style

SEN. ELMER THOMAS of Oklahoma has introduced a bill (S. 1242) to change July Fourth from Independence Day to Democracy Day.

Before you get mad at this seeming effrontery, consider, as we did. This proposed act, perhaps, has more justification than many of recent years. To Jefferson, Madison, Franklin, *et al.*, independence was an ideal. To obtain freedom they set up a republic, a form of representative government with checks upon the ruling powers and restraints upon impulsive majorities. Our political engineers at Philadelphia feared two things—they feared the rule of a dictator; they feared the rule of the mob. The Blackstone of that day, a great student of government, was Lord Acton. Upon reading the Constitution of the United States, he wrote Jefferson: "You have done the impossible. You have not only set up safeguards against the power of a single ruler, but, more important, you have also set up safeguards against the power of your own sovereign people!"

Now we are rapidly moving toward a pure democracy by nullifying the safeguards of the Constitution against impulsive action of majorities, which as one writer says prevents majorities from eating up the seed corn. Had the founders themselves been unaware of the dangers to independence in that direction, they doubtless would have called it Democracy Day instead of Independence Day.

Footnote on the shark

AMONG the world's inhabitants, few have been held in lower esteem than the shark. He was regarded as non-social, a ferocious menace to his finny fellow citizens or any other living thing that came in range of his ripping teeth. Such small respect as he knew came from sportsmen who found that, when hooked, as is the specimen in the Black Star photograph on our cover, he gave worthy battle.

Today this despised fish is earning a new respect. Science, facing a famine of health-giving oils because mankind

cannot keep in leash the same instincts for which it damned the shark, finds in his muscular body products previously ignored. Now sharks will die so that men may have greater health and strength. Probably they will misuse it, but, at any rate, world cataclysm has brought new thought of the shark. Perhaps the day will come when men will mourn because sharks have become extinct. Then later generations will regard the shark as of heroic mould, without benefit of conservation laws, decimated by wanton butchery.

There's sort of a moral here, but it seems futile to fashion it. The world has plenty of morals already and no one, it seems, pays any attention to them.

Write that letter!

WE'VE LONG threatened to address an adjuration to the business man who won't write letters. But it has been done for us.

Collins, Miller and Hutchings, Chicago photo-engravers, have reprinted in *Advertising Age* a page ad headed "Write a Letter!" written by James T. Mangan and first published seven years ago. It has well been called one of the four greatest ads ever written. We reproduce in part only:

Write a letter to the aged relative who hasn't many days to live, the friend of your family, the one surviving link between your own present and past. Don't wait for that dear soul to die till you act.

Write a letter to the author whose story gave you that delightful half hour last night. Write a letter to the cartoonist whose serial strip you avidly devoured this morning; to the teacher who inspired you 20 years ago; to the doctor who saved your baby's life; to your old employer to show him there was something more between you than a pay check.

There's a man in public life you admire, believe in, rave about. Write him a letter of praise, of encouragement.

A planetary state

A NEW book, "The City of Man," by Herbert Agar and others advocates the election by all the people of the earth of a "President of Mankind." Sam Pettengill, who wrote "What's



CREDIT LOSSES STRIKE

Like Lightning!

Business casualties occur suddenly and unpredictably. They disturb you very little until a financial thunderbolt sends your own business world crashing about your head.

Your credit manager, faced with losses, does not deserve censure. His decisions must rest on available facts, customers' past records, current ratings, credit reports. He may not know every fact about the present. Certainly *he can't read the future*. Prudent executives provide against unexpected credit losses by covering all sales with

AMERICAN CREDIT INSURANCE

Ample protection, at a reasonable cost, is needed alike by "million-dollar" firms who may think that they can "afford" to have losses, and smaller manufacturers and jobbers to whom a few defaulting customers spell tragedy.

There's an American Credit Insurance Policy specifically designed for your requirements. For additional information and your free copy of an interesting chart showing general business conditions during the past century, address Dept. 5 N.



AMERICAN CREDIT INDEMNITY COMPANY OF NEW YORK

First National Bank Building, Baltimore
J. F. McFadden, President

OFFICES IN PRINCIPAL CITIES OF
UNITED STATES AND CANADA

Ahead for America" in the June number, surmises that Henry Wallace would be the authors' first candidate for that exalted post. But we Americans can't expect both places on the ticket, he adds; on the basis of voting strength it might be necessary to run Mahatma Gandhi or Chiang-Kai-Shek for Vice President of Mankind.

It would also seem politic to consider the claims of Joe Stalin and Haile Selassie.

Perhaps there should be two or more vice presidents of Mankind. The President would need considerable assistance on that job.

Prosperity "on the cuff"

"HOW are things in your section?" We had put the usual question to an office visitor.

"Looking up," was the answer. "The Government is building a big hydroelectric dam and we have half a promise of four others in our end of the state. Then we've obtained a new military hospital for our town, and I'm here in Washington now plugging for an express highway project."

So it is everywhere. "Best News of the Week," proclaims a newspaper in Clarksburg, W. Va., in a lead editorial hailing the announcement that a \$156,000 project for paving a local airport runway had been approved in Washington.

After many years of agitation, a small town in Kentucky finally votes to pave its public square—with W.P.A. aid.

Wisdom from the Past

IN PASSING by the side of Mount Thai, Confucius came on a woman who was weeping bitterly by a grave. The Master pressed forward to question her. "Your wailing," said he, "is that of one who has suffered sorrow on sorrow."

She replied, "That is so. Once my husband's father was killed here by a tiger. My husband was also killed, and now my son has died in the same way."

The Master said, "Why do you not leave the place?" The answer was, "There is no oppressive government here."

The Master then said, "Remember this, my children: Oppressive government is more terrible than tigers."

Little business man, what now?

OUT FROM London trickles the word that a representative of the Board of Trade (a government department) discussed in a public address the question of what should be done with a large bloc of small retailers in Britain not considered efficient "on any social view of distribution." The question

was: Should they be squeezed out of distribution by the Government and into the labor market?

That is social planning with a vengeance. It is the same plank that architects of the new order in America have so often written into their blueprints. So far they have waited on public opinion to catch up with their advanced ideas. Now it may be that Mars will hasten the flagging footsteps of change in the Western Hemisphere, too. At least that is the hope. Revolution is contagious. In the Eighteenth Century it spread from America to Europe; in the Twentieth its course is reversed.

It has come to pass

THE AMERICAN Youth Commission says national suicide resulting from a rapidly falling birth rate cannot be avoided unless some of the costs of child rearing are assumed immediately by the whole people. That means the national Government should adopt the stork.

THE REPUBLIC of Panama has abolished the noon day siesta in government offices. Just as the C.I.O. was hoping to get it for federal employees in Washington this summer.

TWO TOWNS in Ontario have ordered a "burning of the books" for all copies of Colonel Lindbergh's works in their public libraries. Thus early in life does Lindbergh join the select company of Voltaire, Thomas Paine, *et al.*

DISTRICT of Columbia officials are protesting the cut in W.P.A. appropriations, saying that a total of 4,000 W.P.A. workers in the District will be thrown out of jobs. Commissioner Young says: "This is a terrific blow and I am afraid that it will cramp efficient operation of the District Government."

Greater D. of C. item

IN THE nation's capital all business curves are jumping out the window. Federal employment in the District has reached a new high of 200,000. New jobholders arrived in April at the rate of 193 for each of the 30 days. A movement is under way to transfer bureaus with 18,000 employees to other cities.

Even the park seats are crowded. The Interstate Commerce Commission shifted an important hearing to Baltimore because no hotel accommodations were to be had in Washington. The government pay roll in the District of Columbia in April was \$29,426,672.

Over the entire country new fed-

Not the ONLY way it can happen!

If you think there can be nothing so suddenly and completely devastating as an exploding aerial bomb, look at this scene of destruction!

It was the result of a boiler explosion!

How many power-plants are sitting on the edge of similar disaster? . . . with causes growing—unseen and unsuspected—from weakening seams in a boiler or from incipient cracks in a plunging engine or whirling turbine rotor!

With power equipment right now being pushed to the limit under national defense production, there is more urgency than ever for making sure it is *safe*. And for 75 years Hartford Steam Boiler has been devoting its entire energies to just that. Those who know power-plants best will tell you that there is no organization so well equipped in experience, volume and staff for inspecting and giving engineering aid in the safeguarding of power equipment . . . that the engineering facilities of this Company's nation-covering inspection force are advantages far outweighing seeming "economies" arising from the use of less efficient service.

Hartford Steam Boiler means *Power-plant Insurance by Power Engineers!*



THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY • Hartford, Connecticut

Covers Boilers • Steam, Gas and Diesel Engines • Turbines • Pressure Vessels • Electrical Equipment
Writes more power-plant insurance than the combined total of the FIVE next-largest underwriters in this field. Is also chosen to shop-inspect more than 90% of the nation's industrial boilers during their construction.

Shippers Save Money by Saving Cars

SHIPPERS who have been cooperating with the railroads' full loading program report *real and direct benefits to themselves*. We get such letters as these:

"It looked as though we would have to build more sidings to take care of increasing business. But by merely stamping all purchase orders '*ship maximum carload weight*' we found we were able to handle more freight more promptly with existing track and platforms."

Another shipper who now moves in three cars the

same amount of freight he used to move in four writes, "Heavier loading is a great advantage to both shipper and receiver. We need less cars, less platform space. It costs less to load. The saving on special lining and packing alone in our case is approximately \$9,000."

So both to conserve the car supply for national defense, and for your own convenience and economy we urge you to follow these common sense practices as recommended by the National Defense Advisory Commission:

1. Give advance notice of requirements but do not order cars placed for loading until commodities are ready to load.
2. Unload cars promptly on arrival and notify railroad when empty car is available.
3. Load cars to load limit stenciled on each car or to full visible capacity, whichever governs.
4. Remove all dunnage, blocking and rubbish from cars after unloading to permit immediate re-use and eliminate necessity of delay to cars for reconditioning.
5. In industries where 5-day work week is in effect some plan should be worked out to provide at least six-day basis for loading and unloading cars.



How Much Shippers Can Help

The importance of the contribution which the shippers are asked to make is shown by these examples:

It would add the equivalent of 100,000 cars to the nation's supply if the average "turn-around" time of each car could be reduced one day by faster unloading.

It would add the equivalent of 30,000 cars if the average loading of carload traffic could be increased by one ton—through such simple improvements as better planning of shipments or improved package design.

**ASSOCIATION OF
AMERICAN RAILROADS**
WASHINGTON, D. C.

eral workers were put on the pay roll during April on an average of 1,631 a day. Government employees reached a new high total of 1,251,283. May and June each exceeded April in additions—new figures not available.

Each Tuesday the Treasurer of the United States receives checks to be signed. They come from other cities and by freight. As they weigh 2,000 pounds, the cost of sending them by mail is prohibitive.

The Greater District of Columbia Association expects 30,000 new government employees to be added by January 1, 1942.

The bug in Hitlerism

THE FIRST thing wrong about Nazism is that it is national socialism. Hitler is a demigod beyond the Rhine because he promised to shoulder all burdens and guarantee security to everyone. The only return he exacts is the people's liberty but, like a good salesman, he talked in the beginning only of what the people would *get*, not what they would *give*.

His method is well described in a passage from a correspondent on the German border:

The Hitler regime has solemnly undertaken to banish, once for all, the specter that has haunted wage earners from time immemorial—the fear of being out of a job and the dread of poverty in old age. How this is to be accomplished does not cost the German worker a thought. For him it is enough that Hitler has promised. Nobody has warned him that the national debt of Germany is assuming insolvency dimensions. Nobody points out that the provision for old age alone would cost more than the entire revenue of the State at the time Hitler came into power.

Completing a cycle?

"STATISM run rampant, the increasing power of government to order the affairs of the individual, that is at the bottom of the world's troubles today," an office visitor just said.

His diagnosis is no oversimplification. Liberals and idealists, those wearing the same label as the men who once struggled for liberty from absolutism, now clamor for a new slavery—the overlordship of the State. Democracy is their slogan, but a democracy leading to absolute dominion for any temporary majority and organic changes uninhibited by constitutional checks and balances. Their sales talk is filled with appealing Utopian programs for the spiritual bribery of the masses. Whole nations as well as groups within nations are on their way to the millennium, despoiling the "haves" as they go.

The constitution of the state of Alabama contains this declaration:

The sole and only legitimate end of government is to protect the citizen in

the enjoyment of life, liberty and property, and when the Government assumes other functions, it is usurpation and oppression.

What a long distance away from that same conception of American liberty this country has traveled since that principle was enunciated!

A more serious reflection is this: Where will the trend toward Statism have taken our sons by 1975? Will it have traversed the complete cycle back to that government of George III in 1775?

The right not to work

IN MISSOURI recently we were told of a fruit farm where a large crop of strawberries was ripe and no hands available to pick it. Attracted by the farmer's plight, the local W.P.A. supervisor sent his crew of leaf rakers out to this farm and told them to pick. They didn't like it because they were paid by the gallon instead of a flat wage.

"It's either pick strawberries or nothing," the supervisor announced. But the whole crew walked out on strike against this "imposition." They wanted to go back to their rakes. There was talk about "constitutional rights" and threats that "Washington will hear about this!"

Aftermath of the affair was an ad in the local newspaper in which the strawberry farmer invited people to bring their containers and pick his berries for their own use at ten cents a gallon.

Rags, bags, bottles and bones

THE JUNK dealer as well as the airplane manufacturer and the drill sergeant is a busy man these days. You'll see his truck loaded with rusty old plows, auto parts and assorted scrap on remote roads, combing the countryside for the sinews of war. All is grist for the melting pot of mechanized war. Waste paper, rubber and all such metals as copper, zinc and aluminum are in demand. The scrap and junk business is estimated to be running \$1,000,000,000 a year.

Girding for war brings to Americans the realization of how much we waste in normal times. Some of our great states throw away every year as much as the republic of Mexico consumes. Chinese in this country find our American habit of waste an amazing phenomenon.

And in Old Dominion!

IT'S a rare month that brings not the camel's nose of socialism farther into the tent of private enterprise.

Now comes the Alcoholic Beverage Control Board of Virginia asking distillers to bid on the manufacture of

*Another product
makes its debut*
**WRAPPED ON
OUR MACHINES**



Appropriately feminine in color and design, the new Swan Soap package makes an instant appeal to women . . . Perfect forming and sealing of the wrapper add the finishing quality touch . . . Our Model S-2 machine, used also by other leading soap makers, produces this package at a speed of 150 cakes per minute—a speed that results in lowest wrapping cost.

Every year has seen an increase in the number and variety of goods wrapped by our machines. This steady growth finds us today with the largest and most complete line of wrapping machinery produced by any single organization.

**For a Faster Selling Package
and Lower Costs
consult our Packaging Clinic**



Over a quarter billion packages per day are wrapped on our machines.

**PACKAGE
MACHINERY COMPANY**

Springfield, Massachusetts

New York Chicago Cleveland Los Angeles Toronto



• We of the Erie like to hear folks speak of us as "The Friendly Road." And that's why we pay so much attention to the "little" things that can add so much to your travel enjoyment.

Right now, for example, there's a special reason why women—and children—are so pleased with the overall comfort of Erie service. The feminine touch is at work! A trained woman counselor is constantly studying the needs and desires of our women and children passengers that we may make improvements and innovations to serve them better.

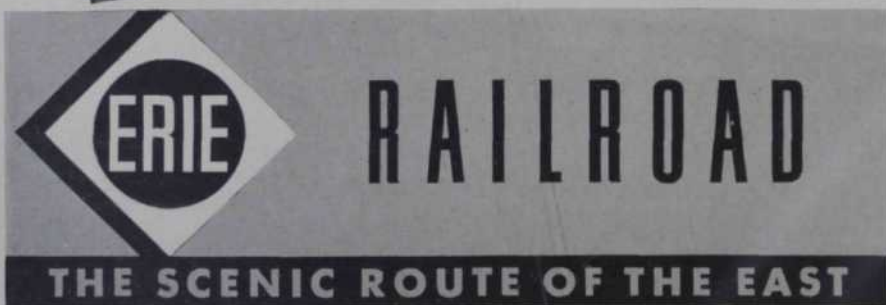
Mealtime's always a pleasure in the restful atmosphere of an Erie Diner-Lounge. Delicious food moderately priced.



Try the Scenic Erie Route on your next trip between Chicago and New York. Rest while you ride in our modern Pullman equipment, new De Luxe Type Coaches or luxurious Diner-Lounge Cars. Air-conditioning, of course, in your Erie "Home on the Rails." And fares are the lowest in the East!



Spacious, hospital-clean Ladies' Lounge of Erie's new De Luxe Type Coach.



a line of whiskeys which the state will market under its own brand names. This is the first time since Repeal that a state has moved to place itself in direct competition with private liquor brands. Retailing of packaged liquor in Virginia is already a state monopoly. With its own brands on the shelves in state stores, can there be any doubt as to how private competing brands will fare?

The strangest fact of all is that some of the distillers will rush to get this order and thus themselves become the instrument for killing off the sale of their own brands in Virginia. The third and final step will be for the state to establish its own distillery.

Defense catches up

NOSING around an old bookstall we turned up a volume on war and peace, with the title, "Challenge to Death." We bought the book and spent an hour with it, curious to see how relevant to the present are words on war written in 1935.

Strange to say, modern aerial warfare has not been nearly as devastating in reality as in anticipation. Gerald Heard, one of the writers in this symposium, predicted that, with the first general bombardment of England's great cities from the air, the population would flee in panic from those areas and all industry would be paralyzed in 24 hours. He quoted a piece of publicity by the British Air Defense League screaming in caps that "London Can Be Bombed, Battered and Broken Within a Few Hours."

A more singular fallacy and one far more dangerous to Britain's safety was voiced by Philip Noel Baker, who had been an army officer and British delegate to the League of Nations Assembly. Baker thought no form of defense could avail against aerial bombardment, hence opposed the building of a great military air force for Britain. Even the aviators, James and Amy Mollison, felt that reprisals in kind would be the only defense against air assaults.

There is comfort in reflecting that military defense is again catching up with offense, as it has done in cycles of varying length throughout history, and that human courage under fire has exceeded expectations.

Shirtsleeves to shirtsleeves

TWO YEARS after the passing of one of the country's greatest industrialists it is reported inconspicuously in the news that Charles M. Schwab died bankrupt.

No comment has come to our attention from the author of "America's 60 Families" or any of that legion of writers who view with such jealous

frenzy the "acquisitiveness" of great men of commerce. Yet surely this revelation is an instructive postscript to a career.

Here was a man who rose from poverty lane, achieved much in the building of a mighty industry, by his genius acquired a great personal fortune, and departed without founding a dynasty of dollars. All Americans are the better for his having lived.

A strategic retreat

PROF. Harold Rugg finds the heat turned rather uncomfortably on himself. Parents are discovering chunks of unamericanism insinuated here and there in the pages of his textbooks. Disturbed by this exposure, the professor has published another book for general distribution, hurriedly written to allay suspicion of himself and prove his deathless devotion to private enterprise.

Reader Roscoe Peacock of North Cohocton, N. Y., suggests that Dr. Rugg's apologia should not be taken too literally. Back in 1934, Mr. Peacock recalls in his letter to us, Dr. Rugg was telling an educational convention in Cleveland that "progressive" educators of the country would attempt to force radical changes in the educational system by organizing some 14,000,000 persons into a closely knit pressure group. The plan contemplated spending \$50,000 and the money was already "in the bag."


Furthermore, "it will be aimed," said Dr. Rugg, "at crystallizing an informed public opinion which will demand more fundamental changes than are now being undertaken at Washington. . . . The President will go just as far to the Left as we push him."

This story will be found in the *Cleveland Press* of March 2, 1934. It is interesting background against which to view the professor's recent conversion to conservatism.

Plan of salvation

A VAST horsepower of mental energy is still being diverted to the quest for economic short cuts to universal happiness and security. Latest is a "scientific" plan under which the Government would pay every adult American, rich or poor alike, \$5 to \$10 a month. The benefits would be scaled to represent the difference between annual income and annual consumption of the nation. The author is a research associate at the University of Virginia.

It's another variation of the Maynard Keynes idea for spreading purchasing power among the masses through government spending. Which is to say it has been tried in 40 different ways in the past decade and found wanting in all of them.



1 out of 5 . . .

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We build these *Gargantuan Tires* to carry 80-ton loads through mud and sand



—and twenty million motorists profit from them!

OUT where the pavement ends and the detours begin you can see these mammoth tires at work.

They're called off-the-road tires and they are truly gargantuan in size—some running up to seven feet in diameter and weighing almost a ton each. But even more amazing than the size of these giant Goodyear tires is the weight of the loads they carry—and where they carry them.

On great road-building jobs like the Pennsylvania Turnpike you'll find these tires pulling huge tractor-scraper "trains" weighing from 50 to 80 tons when fully loaded! And in strip mines and on public works projects you'll see them speeding big 60-ton trucks over rocks, across filled ground and mud as easily as your car rides the boulevard.

How can these tires carry such tremendous loads off-the-road, on ground where even a light passenger car might bog down?

The answer is—*flotation*! With treads up to two feet wide and low-pressure inflation, these tires are too big and too soft to sink down far,

They involve special engineering; call for carcasses strong enough to flex under enormous loads without cracking.

To build these carcasses Goodyear spent years in developing tougher new strains of cotton on its great Arizona plantation—perfected new methods of twisting sturdier, wirier cord in our southern cotton mills.

So, as a result, our latest off-the-road tires are sinewed with a cord having 10% to 12% greater tensile strength than any we have ever used before—with a corresponding increase in tire toughness and endurance.

How does Goodyear's development of these giant earth-mover tires

benefit you whose car weighs a mere three-to-four thousand pounds?

Simply this way—by adopting this same new type of sturdier cord to passenger car tires, we give you a far tougher, hardier tire. That is one of the reasons why our new 1941 first-line "G-3" All-Weather averages thousands of miles longer wear than even previous models—yet costs you less per mile than ever before.

It is this constant research to improve all products bearing the Goodyear name—this unceasing effort to apply new developments in specialized fields to the greater good of all tire users—that makes, and keeps, Goodyear "*the greatest name in rubber.*"

All-Weather—T. M. The Goodyear Tire & Rubber Company



Business As Unusual

ONE of the miracles of our age was provided by daring and imaginative engineers. They diverted the mighty Columbia River from its ancient natural bed, forced it into a new channel, completed the greatest dam in the world and then turned the river back again. Money, men and materials, backed by the nation's credit, did the job.

Compare now the peacetime natural flow of men's daily activities in making their living with the normal channel of the Columbia. Take \$20,000,000,000, millions of workers, the ingenuity of their management, the wealth of our materials—call the job National Defense—and you have a diversion of an economic stream equal in its field to Grand Coulee. Certainly, for each of us Americans it means life as unusual.

In the nine months between the President's proclamations of "limited" emergency and "unlimited" emergency the nation has moved from "business as usual" to a state of affairs ruled primarily by defense considerations.

What this diversion of peacetime procedures means to the business community its members know in terms of their own businesses at first hand. What the drastic revision of the country's normal economic life means to the American family in altered standards of living will become clear as the administrative controls tighten their grip on goods and services.

As the defense effort increases in speed and scope, the role that business plays becomes the leading part. In a very real sense it is the civilian quartermaster corps at once charged with the vital job of supplying the needs of the fighting forces and the subsistence of the civilian population. The "arsenal of democracy" is stocked with everything from aircraft to zippers.

Planning at the official top of the defense structure calls for re-planning at the productive base. The supreme nature of the political direction of business is forcefully implied by the new imperatives issuing from administrative offices. "Priorities" and "price control" are symptomatic of the severe displacement of "business as usual."

What is happening in the fields of labor relations, power and fuel, transportation and housing, capital and credit, taxation, profits, and consumers' goods are matters of present and practical concern because they touch the lives and fortunes of the people as deeply as they perplex the men immediately faced with the "musts" of the declared emergency.

The practice of citizenship, as business men have recognized from the first, comprehends a double responsibility—their duty to outfit and equip the nation's military establishment and their duty to provide the wherewithal to satisfy the everyday wants of the people. But good intentions are not enough. There is no plain sailing for management. More and more intricate become the charts of public policy. Between "can" and "can't" the course is tortuous, beset with hidden rocks and reefs.

The industrial and commercial navigator is finding that Washington has the decisive voice in determining the rightness of his actions, that dependable knowledge of official powers and purposes is a first essential to the wise commitment of his resources. To that purpose NATION'S BUSINESS is offering in this issue a 48-page factual exposition of the shape of free enterprise under the compulsives of national defense.

Merce Thorne

Again... FOR THE THIRD TIME



The Highest Award in Railroad Safety

The efforts of Norfolk and Western Railway employees have again won for their railroad — for the third time — the highest honor in the field of railroad safety — the coveted Harriman Memorial Gold Medal, awarded by the American Museum of Safety for achieving the outstanding safety record in 1940 in competition with 35 Class I railroads of the United States.

The Norfolk and Western and its employees are proud of this achievement, and their safety record through the years. It is a record which has meant the actual saving of 92 employees' lives and the prevention of 12,000 employee injuries since 1924; the transportation during the past three years of approximately 3,500,000 passengers nearly 275,000,000 miles without a single injury or fatality in a train accident; and the safe, on time transportation of hundreds of thousands of carloads of freight. This is progress in accident prevention — the result of years of practical planning, safety education, and the expenditure of millions for a modernized, safer railroad.

The railroads are vital to industrial mobilization for National Defense. The Norfolk and Western Railway is a strong, essential link in the network of American Railroads. Every Norfolk and Western employee is on the job, with a full share of skill, experience, and stamina. They are keeping faith with Uncle Sam—helping to keep the wheels of National Defense rolling!

NORFOLK AND WESTERN RAILWAY

Your Business and the Unlimited Emergency

The Shape of Things — Now!

By LEO M. CHERNE



WAR TODAY has become economic rather than military. This does not mean, of course, that the other horsemen of the Apocalypse—Death, Famine and Pestilence—will not ride again. The present conflict may yet witness a greater destruction of human life than was ever recorded before. But what is certain is that today wealth, production, materials, and armaments are the major weapons of warfare.

War has become a contest between productive capacities rather than men. The productive capacity for plane production, for instance, determines in advance, not only whether a critical battle will occur, but as frequently, the ultimate victor of the as yet unfought battle.

If the economic factor in warfare has displaced, or at least equalled in importance, the military strategy, if our present unlimited national emergency is to mean not only the military mobilization of one out of every 130 Americans, but also the impact of economic mobilization on each of the other 129, then knowledge of what our total defense efforts require of business enterprise, property, and activity becomes of first importance.

There was a time when a nation could engage in war while civilian life continued its normal operations behind placards which announced: "Business as usual during altercations." But it takes little effort to demonstrate the extent to which the conditions of war have changed. A gory set of statistics will illustrate briefly how war has become an increasing drain, not only on the manpower of warring nations, but on their finances, and, indeed, on every phase of their civilian and industrial life. It has been estimated that the cost of killing one enemy soldier was 75 cents in Julius Caesar's time; during the Seventeenth Century the cost of killing a man in the Thirty Years' War had risen to \$50; the mortality expense of the American Civil War was \$5,000 a man. The vast change effected by the World War can be realized from the fact that it cost \$25,000 to kill one



Leo M. Cherne, Executive Secretary of the Research Institute of America, has lectured at the U. S. Military Academy and the School of Foreign Service, Georgetown University. For the past five years he has worked with business men and public officials in an advisory capacity, specializing on problems of government regulation and private enterprise, a profession which has won him a wide reputation both as an objective reporter and as a civilian authority in the field of war economics. He is also editor of the "Business and Defense Coordinator," and author of seven books, among them "M-Day and What it Means to You," and "Adjusting Your Business to War," the latter prepared with the cooperation of the War and Navy Departments.

NATION'S BUSINESS asked him to give its readers an analytical report of what the defense effort would mean to them as citizens and individuals.

man; and in the first months of the present war the roughly estimated cost, translated into terms of each man dead, is already more than \$125,000. All this is a result of the fact that war has become a conflict of economies in which financial and material resources are the chief weapons.

But of even greater importance than the cost itself is the fact that those sums are spent, not on the battlefields, but in the machine shops; not in the trench but on the assembly line, not in meetings of the general staff but in the executive councils of business and the civilian agencies of government.

1★The lessons of 1918

What basic business controls were found necessary? How did the Allies shape up against their adversaries? What were our mistakes and what did we learn?

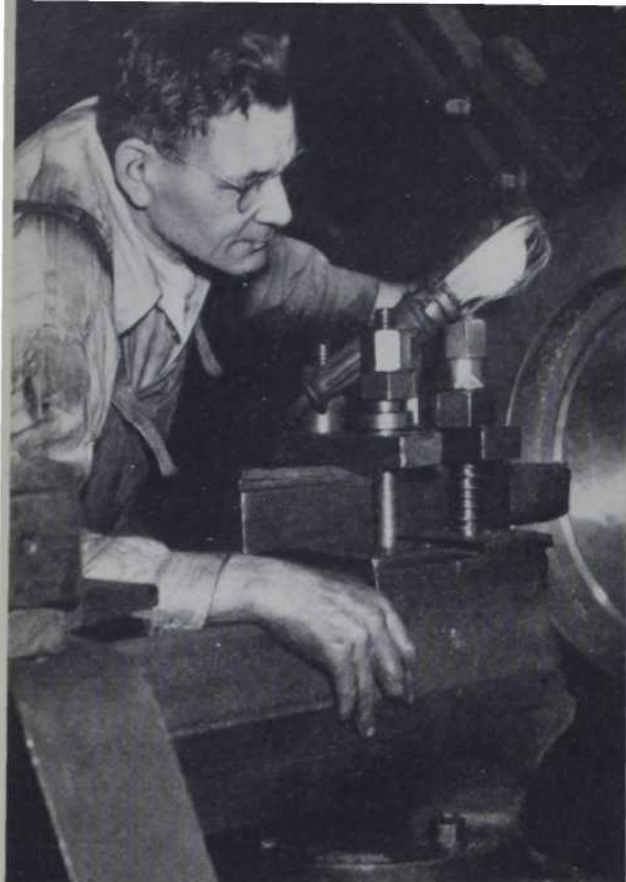
THAT we may fully understand the economic effects of today's defense—the compulsives, the problems and the adjustments which surround business in this emergency of 1941—let us step back a brief moment in history to scan quickly the transition through which we have passed. Farsighted business men must look back if they are to look ahead. The industrial experiences of most of the great belligerent nations during the first World War were, in many important particulars, strikingly similar. The following observations apply with almost equal force to each of the countries then at war.

Adequate provisions to supply the munitions needed by the armies in battle for more than a brief period had not been made. The amounts of ammunition and supplies consumed daily on the battlefield far exceeded pre-war estimates.

It was quickly found necessary to begin exercising governmental control over the essential raw materials, labor, power, transportation systems, and producing facilities, and to direct their use for those purposes which would best meet the immediate needs of the nation as a whole. Violent disturbances of prevailing price levels occurred and governmental measures to fix or control prices became necessary. These measures varied both in scope and kind in different countries.

Generally, the administrative machinery for controlling national industry was set up as a separate and independent governmental agency, directly responsible to the supreme executive head of the state. It was also found that a high national morale was needed to obtain coordinated effort by the whole population. Methods adopted to direct and control the resources of the country had to appear to the people as necessary, fair, reasonable and effective. Furthermore, the industrial and economic fabric of the enemy had to be attacked in every possible way. (The Allies did this by physical blockade and pressure upon neutral countries; the Central Powers did it by launching submarine attacks on enemy sea commerce.)

Because of the failure to plan ahead, methods used to direct the industrial effort had to be extemporized in the heat of conflict. The folly of permitting a country to drift into war without having made provisions for prompt mobilization of industry was brought home



H. ARMSTRONG ROBERTS

The worker at the machine is as much a part of today's war as the soldier

\$125,000 to kill a man

Everyone blundered

Extemporizing warfare

sharply. The Allied nations were saved, initially at least, from disastrous results because the enemy, through a like failure, was unable to take full advantage of the situation. Specifically, in the case of the United States, grave consequences during the preparatory and transition periods were avoided primarily because of the protection given by the armies and navies of our allies. In many cases, however, improvised methods were unable to prevent extravagance and delays in procuring munitions or to prevent profiteering in some quarters and unnecessary suffering in others.

The major lessons of 1917, according to the conclusions of our own War Department, present the following picture:

1. There was almost total lack of coordination in procurement at the outset of the emergency because no plans existed for this coordination.

2. Confusion and skyrocketing of prices occurred as a result of shortages, actual or alleged, and because of bidding against one another by the Army, the Navy, and the Shipping Board, and even by the supply services of the Army and Navy among themselves.

3. The failure to plan for World War procurement caused the spending of billions of dollars more than would otherwise have been necessary. In addition, the Government, after the war, found itself enmeshed in litigation involving vast sums.

4. The United States placed itself in the anomalous position of advancing loans to the Allies to cover their purchases in the United States. With these funds the Allies successfully competed in the American market, bidding against the United States for material of which there was not enough to supply the needs of both. Not only were the needs of the Government interfered with but the inter-government competition itself increased the cost of living, lowered real wages, and was one of the most important of the contributing factors to World War labor trouble.

5. The Army sailed overseas largely in Allied ships and to a great extent fought the war with arms and equipment purchased from the Allies, rather than from American business.

Allies saved us

Five lessons from unpreparedness

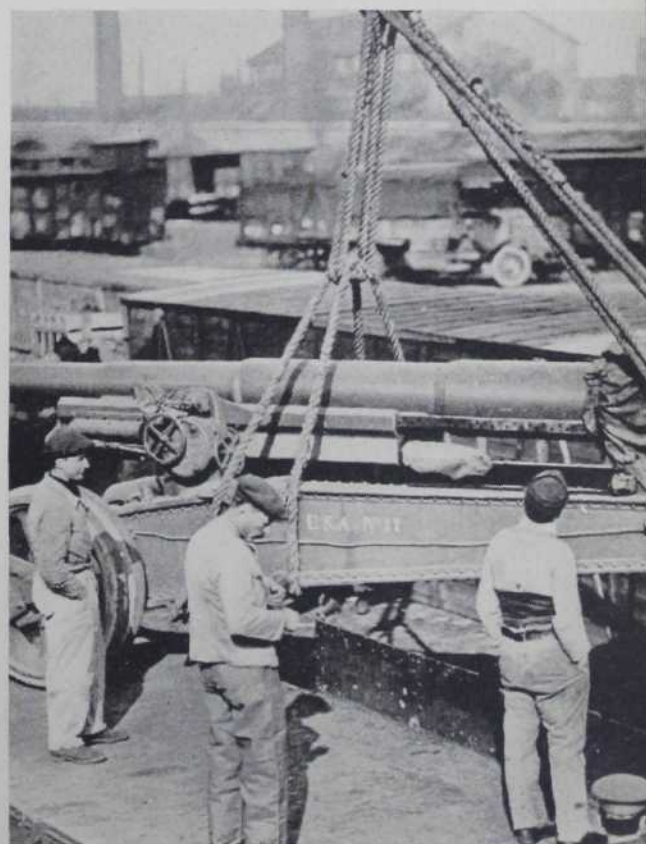
French gun for American soldiers, common World War sight. We had few others

2★ From war to war

Was the German political system peculiarly geared for war? Was England ready for a war effort in 1939? What study did we give in the period of "peace by treaty"? How has defense changed in this period? What were our bottlenecks, bugs and barriers? Can we wait for a formal declaration of war?

LET US summarize our recent history by a brief analysis of the three major nations—England, Germany and the United States. Before 1940, Germany had discarded its efforts to create a peacetime economy. The essence of the Nazi economic system finally produced one huge industrial storehouse from which the German military and political leaders could draw everything required for military expansion.

In England, the first eight months of the present war witnessed an attempt to avoid the full consequences of modern military activity. But war creates certain compulsives. For instance, a nation cannot successfully fight an enemy and inflation at the same time. Similarly, where the needs of the civilian population and the needs of the military are in conflict, war produces only one "right" answer. The wartime controls required of industry at the beginning



Penalty of procrastination

of the war were superimposed upon fragments of the peacetime economy. Mobilization of British labor and industry went forward with an easily-understood reluctance. The economy creaked and cracked. An entire people lost confidence in a government unwilling to face the consequences or take the steps required for war. Eight months of muddling through! But then, in one revolutionary step, the English transition came to an end. The penalty for this eight months' procrastination was an economic and individual regimentation far more complete and all-encompassing than that contemplated by our own plans for industrial mobilization.

In the United States we had concluded a 20 year period in which the national emphasis was on disarmament and peace by treaty. During this interval when the major emphasis was on how war could be avoided, the only examination of how defense could be created and war fought was the War and Navy Departments' study of industrial mobilization for warfare.

A national Rip Van Winkle

As a result of the 20 years of such study, the War and Navy Departments formulated an Industrial Mobilization Plan which was revised on several occasions. The Plan was based on an examination of anticipated problems resulting from a shortage of essential materials, productive facilities, skilled labor, transportation and shipping, power, fuel, and the use of credit, priorities, rationing, price control and regulation to cope with these shortages.

The blitzkrieg of 1940 found the United States confused. The document called the "Industrial Mobilization Plan" had been officially shelved but actually, before the end of 1940, some of the controls contemplated by the Plan were coming into use. Agency after agency was called into being to meet the needs of the growing emergency only to outlive its usefulness before the passing of many weeks. This panorama of transition agencies included the War Resources Board, the Council of National Defense, the National Defense Advisory Commission with its Industrial Materials Division, Production Division, Labor Division, Price Stabilization Division, etc.

Mars wears a new dress

Little by little, painfully and slowly, the transition period ended. Finally the facts of 1941 sank into the national consciousness. The nation became aware that methods of national defense, like methods of international aggression, had undergone a tremendous change in the course of the past few years. It is now a commonplace statement of well known fact that wars are no longer won by personal heroism or individual self-sacrifice. The successful defense of a nation depends on the outcome of a gigantic struggle involving munitions, materials—a struggle between the productive capacities, the national industries, of adversaries rather than individual abilities.

There was a time when England's wars could be won on the playing fields of Eton; England's present war must be won primarily in the factories. It has become clear, for example, from the communiqués issued by the German military week after week that air raids are being directed not so much at military objectives—troop



Air raids are often aimed more at workers' efficiency than at destruction of property

formations, airports, artillery emplacements—as at *Kriegswichtige Anlagen*, “war-important objectives”—factories, harbors, warehouses, power houses. Germany strikes nightly not only at England’s morale but at the more important consequence of that morale—the capacity to manufacture replacements for the weapons eaten up in the struggle and the capacity to meet the physical necessities of civilian life. Air raids at night are frequently not intended primarily to destroy property, but rather to make the civilians scurry out of their beds into the bomb shelters so that their hands will falter next day on the assembly line.

We learn our weakness

Even in the transition period, certain economic facts emerged from our defense program. We knew that a critical industry—machine tools and dies—had a backlog of orders for a period of more than a year. We learned that there are more than 30 strategic and critical materials of primary importance in the manufacture of war materials which we do not have within our borders in sufficient quantity even for peacetime production, let alone the intensified needs of a defense period. We discovered that our ships could little more than carry the freight of peacetime America without the superimposed burden of supplying blockaded England. We were warned that gasolineless Sundays might once again exist, despite our vast oil resources, because of the problem of transportation. We were forced to face the fact that existing steel capacity would not be adequate to meet the full demands of defense and civilian life. We were informed that the adequacy of our aluminum ore supply was no effective answer in the face of inadequate refining and processing facilities. Overnight we were taught to do without nickel in civilian industry.

The realization finally dawned on us that there were many items of military production which industry didn’t even know how to manufacture without itself first passing through a period of apprenticeship.

Finally—the most aggravating fact—we learned that, though the nation had enough machine, factory and productive facilities to make almost all of its defense requirements, we didn’t know how to organize for their use. Gadgets instead of gaskets were rapidly becoming the nation’s major economic headache.

Too many of us were ready to assume that the effective solution of these problems could wait until M-Day—until the beginning of shooting that characterizes military war. We were inclined to overlook the fact that the line of demarcation between intense rearmament like the present program and M-Day itself has become blurred and is no longer distinguishable. Modern war doesn’t begin on the day governments declare its existence—if the governments do indulge in the nicety of an actual declaration.

A complete war economy may antedate the actual existence of physical hostilities by weeks or months—or years, as in the case of Germany.

Obviously, in modern warfare, nations can no longer wait behind



O. E. M. DEFENSE PHOTO BY PALMER

As we build more ships we need lines to hold them. Hemp becomes a war material

Wars start with factories

the barrier in the international horse race until the starting gun is fired—and then start from scratch.

3★ Essence of "Unlimited Emergency"

The major business change made by a defense economy. What test is applied to judge business activity? What are the basic controls in the emergency? Machinery, Materials, Men and Money—the foundation stones. What is the American problem in economic mobilization? Is there an alternative to over-all mobilization? What is the essential framework of a defense administration?

You can be made to produce

UNTIL the President's declaration of full national emergency it was necessary in some quarters to argue that we were passing through the transition from a peacetime to a war economy. But now the Government has already obtained the legislative power, unprecedented in peacetime, to compel manufacturers to produce, not only their normal goods, but any items that they are capable of producing. Such compulsory orders are to be paid for at the price determined by the Government and refusal to manufacture enables the President to take over any plant or equipment, provided that fair compensation is paid. To be sure, the command order will not be widely used.

Puzzle of commandeering

As a matter of fact, the procedure to be used in those cases where a plant is commandeered is far from a decided matter. In those strike situations where the hands of management are reasonably clean, the likelihood is that intervention by federal troops will serve little more than a police function—that of opening the picket lines to permit the return of workers. This, essentially, was the procedure in the North American Aviation strike. In cases, however, where non-cooperation by management causes the commandeering, the Government will have to determine the status of the workers, their pay, who will operate the plant, the position of management personnel, compensation to be paid to the owners, and the innumerable other questions which arise for the first time when commandeering is used. Despite these difficulties, we must recognize that, instead of a birch rod in the closet, there is now a genuine lead pipe that can be swung over the heads of recalcitrants to compel the required production.

New test for good business

During the peace—which has for this moment in our history been definitely left behind—only two questions of consequence arose in connection with any business: Was the business good or bad; and were its practices legal?

In the war economy which we have entered, however, a new and all-important test is being applied to increasing phases of civilian, agricultural, and industrial effort: Are they helpful or harmful to the completion of our defense?

That doesn't mean that every enterprise unrelated to our defense must end nor, as a matter of fact, that war itself would bring about the end of that enterprise. It does mean, however, that in a defense economy, "first things come first." The essentiality of the business decides how much supplies, how much capital, how much

labor an individual enterprise may be allowed wherever shortages develop.

And as the program of supervision required by the defense program over American industrial and civilian activity assumes greater urgency under the pressure of increasing burdens and under the impact of foreign developments, we are witnessing the introduction, piece-meal and partial at first, of the regulation characteristic of a war economy; we are seeing the beginnings of the control of industrial output, the rationing of scarce materials, the fixing of basic commodity prices, the supervision of labor costs and supply, the regulated flow of skilled labor, the control of power, fuel and transportation, the increasing of the tax burden far beyond today's proposed new excess profits tax, the control of consumption, the conversion of industrial facilities to military needs, the conservation of supplies, services, and materials. All of these are bringing unprecedented problems to the desk of the executive and require vital adjustments in the major phases of his everyday activity.

In determining the position and responsibility of business in this defense economy it is quite clear that the nation's economic resources are the vital weapons in modern total warfare. But it takes considerable study to determine just what those resources are and how they can best be employed. Popularly put, the four M's of our mobilization for defense, the four major resources of the nation to be mobilized in this emergency are: Materials, Machinery, Men and Money.

Material is not enough

But the mere existence, potential or actual, of these four major kinds of resources is not enough to assure a successful national defense. The British and French Empires at the beginning of this war had far greater economic and industrial resources, far greater quantities of manpower than Germany. Nevertheless, the totalitarian régime of Germany, despite its inferiority in raw materials, in industrial capacities, in actual manpower—as contrasted with those of the allied empires—was able to achieve extraordinary victories. On the allied side, the missing factor, the vital link, was the fact that the essential elements—materials, machinery, men and money—were not properly used or integrated for the achievement of maximum effectiveness.

It is the problem of working and coordinating these factors in our economic society that brings about the need for industrial mobilization. Industrial mobilization is planned economy—planned for a specific purpose—but planned nevertheless.

In Germany the entire nation—all its materials, all productive facilities, every piece of machinery, even the man-hours of energy—are regarded as coins in the nation's war chest, to be used by the State as it sees fit.

But in the United States we must not for a moment forget that ours is a democratic capitalism in which the individual and his individual enterprise operate as a result of personal motives and unregimented individual direction. In our country, therefore, to achieve the same

New weapons—new ways

Four "M's" of defense



Present war began long ago when Germans, denied equipment, drilled with paper tanks

BLACK STAR

end, to create as effective a defense, we must devise a method of relating each of the factors in our economic life so that they remain in private hands, the individual still continues to be an entity rather than a pawn, but yet at the same time to assure to the Government the right of prior demand and immediate supply. This is the essence of planning for industrial mobilization.

Regulation for everybody

It is also quite clear in the United States, where the effort is being made to retain as much of the fabric of peacetime democratic life as possible, regardless of the urgencies of national preparedness, that no one section of our society can be regulated without concomitant supervision of every other segment with which it is joined.

Thus, it is impossible to fix the profits of industry or to determine in advance the cost of production without regulating the earnings of labor. It is impossible to regulate the demands of labor without concern for the profits of industry. It would be equally difficult if prices are uncontrolled and the cost of living is free to go up. It is impossible to know in advance that the Army will receive its necessary supplies if the railroad lines break down, if power gives out, if fuel becomes unobtainable, if high-grade steel cannot be manufactured for lack of nickel.

The logical question is frequently asked:

Is it necessary that these integrated controls, this superstructure over American industrial and individual activity, be created in order that national defense be perfected?

Is there really any alternative? As indicated before, the Administration has already stated on several occasions that the Industrial Mobilization Plan, prepared and revised by the War and Navy Departments, will not be followed in the present emergency.

Yet, at the very moment that the Plan is being *verbally* discarded, many of the economic controls and concepts included in it are being followed.

The fact is that the various types of control outlined by the Industrial Mobilization Plan must be followed and integrated if modern war is to be waged. Controversy may rage as to where the controls should be lodged, what the wartime agencies should be called, who should comprise the personnel and take responsibility for the direction of defense mobilization. Intragovernmental as well as anti-Administration groups may insist that Department A rather than Department B conduct the industrial mobilization, or that a super-agency be created for a specific defense function rather than have the function lodged in the hands of an existing governmental agency.

Some may insist on a one-man control; others may urge divided control. Citizens may argue as to whether Political Party B rather than Political Party A, or a combination of both, should integrate the war economy. These are genuine, continuing controversies. But behind such disputes, the basic plans will not change, the basic controls cannot be varied. The fact is that the *minimum* adjustments required of the executive are not subject to controversy; they are the



Eastern gasoline shortage despite large resources shows need of integration

Control profits: Control wages

Controversy to no purpose

compulsives which arise from the very nature of modern warfare.

The list of government agencies in the margin of this page represents a graphic attempt to picture the sections of a National Defense Administration as it must be constructed to cope with the over-all problem of economic mobilization. You will notice that the chart is broken down into the functions or phases of the economic society to be studied or controlled. Under these phases are the specific agencies or individuals now concerned with the problem. In some cases peacetime agencies of the Government are being used. In other cases superagencies are set up specifically to supervise the defense problem; in still other cases the problem has not been more than superficially tackled. In most cases more than one agency is concerned with individual pieces of the larger economic sector. Glancing at the list, you will be able to identify the specifically created agencies by the asterisks which identify them.

New and old work together

At the present time, the centralizing agency is the Office of Emergency Management, which leads directly to the President. In the defense scheme of things there are two types of agencies—one specially created for defense purposes; the other, the normal peacetime agency which ordinarily deals with problems in the field over which control must be established. Thus, for example, the problem of transportation is handled both by a special defense agency, like the Transportation Division, and by the normal agencies, like the Interstate Commerce Commission and the Maritime Commission, which have a long familiarity with the problems involved in this field.

Authority over power resides in the hands of the Federal Power Commission, since even in peacetime there has been close government control over the public utilities. In the case of prices, however, while the Federal Trade Commission and the Anti-Trust Division of the Department of Justice normally function to prevent certain limited types of price abuses, a new agency was required because of the new kind of supervision that defense requires. The Office of Price Administration and Civilian Supply under Leon Henderson was therefore created.

So far as fuel is concerned, while the Government has appointed such agencies as the Bituminous Coal Division of the Department of Interior to maintain the normal restraints of peacetime, the emergency has compelled the granting of extraordinary powers to the Secretary of the Interior Harold L. Ickes, as czar of the petroleum industry.

The vital problems of civilian morale and civilian defense involve a great number of altogether new problems; consequently, the functions have been lodged in new bodies like the Office for Civilian Defense, the Director of Information, the Radio Office of the Office of Emergency Management, as well as the peacetime Office for Government Reports, whose functions are now being enlarged.

The need for waging economic warfare as part of a defense program is met by the activities of the Export Control Administration,

PRESIDENT

DEFENSE CENTRALIZING AGENCY

[*Office of Emergency Management]

Transportation

*Division of Transport (NDAC)

Power

Federal Power Commission

Prices

*Office of Price Administration & Civilian Supply
Anti-trust Division
Federal Trade Commission
Tariff Commission
Bituminous Coal Division

Fuel

*Secretary Interior Ickes
Bituminous Coal Division

Morale & Civilian Defense

*Office for Civilian Defense
Director of Information (OEM)
*Radio Office (OEM)
Office for Government Reports

Economic War

*Export Control Administration
Export-Import Bank
Maritime Commission
State Department
Treasury Department
*Office for Coordination of Commercial and Cultural Relations
Department of Commerce
Department of Justice
Tariff Commission

Priorities

*Division of Priorities
*OPACS
Army & Navy Munitions Board

Production

*Office of Production Management
*OPACS (Division of Civilian Production)

Contracts & Procurement

*Division of Purchases (OPM)
War Department
Navy Department
Treasury Department
Maritime Commission

Communications

Federal Communications Commission
*Defense Commission Committee

Agriculture

Department of Agriculture
*OPACS (agriculture and food prices)

Labor

*Division of Labor (OPM)
*National Defense
Mediation Board
Conciliation Service (Department of Labor)
National Labor Relations Board
Wage-hour Division
Public Contracts Division (Department of Labor)
Public Employment Service
Selective Service System

Finance & Credit

Reconstruction Finance Corporation
Treasury Department
*OPACS
Securities & Exchange Commission
Federal Reserve System

Conservation

*Conservation Unit (OPM)
*Division of Civilian Supply (OPACS)
*Division of Purchases (OPM)



MARGARET BOURKE-WHITE

If you need aluminum in your operations, will you be able to get it? That depends

Superagency for labor is indicated

Civilians have some rights, too

the Export-Import Bank, the Maritime Commission and the Treasury Department. Because of the grave concern over friendly commercial and cultural relations with the other Governments in our hemisphere, the Office for Coordination of Commercial and Cultural Relations between the American Republics was brought into being.

The new necessity for the administration of priorities and rationing has resulted in the setting up of a Division of Priorities, headed by Edward R. Stettinius, Jr., in the Office of Production Management. The Priorities Committee of the Army and Navy Munitions Board, which has functioned even in peacetime as a planning body, continues its activities and joins in the administration of priorities. Because of the close connection between prices, civilian supply, priorities and rationing, Leon Henderson's Office of Price Administration and Civilian Supply also holds some responsibility in this field.

The tremendous problem of increasing the tempo of production is the province primarily of the Office of Production Management, headed by William S. Knudsen and Sidney Hillman. Divisions within the O.P.M. include that of Priorities, already mentioned, as well as a Division of Production, headed by John D. Biggers. Still another is the Division of Purchases within the O.P.M., headed by Donald Nelson, which is concerned with defense procurement and the placing of contracts. It works in conjunction with the normal government purchasing agencies—the War, Navy and Treasury Departments and the Maritime Commission.

Subject to change without notice

A host of agencies—but no single centralizing body—is occupied with the labor problem. Probably some one labor superagency will be brought into being. In the first period of defense, Sidney Hillman's Labor Division within the Office of Production Management has been at work. Specially created for the emergency, too, is the National Defense Mediation Board, the duty of which is to reduce industrial disputes and to mediate controversies. It cooperates with the Conciliation Service of the Department of Labor. The National Labor Relations Board, the Wage and Hour Division and the Public Contracts Service of the Department of Labor, as well as the U. S. Employment Service and the Selective Service System, continue their specific activities.

Finance and credit, over which the Government even in peacetime maintains supervision, are geared to defense through the Treasury Department, the Reconstruction Finance Corporation, the Federal Reserve System and the Securities and Exchange Commission. Mr. Henderson's Office of Price Administration and Civilian Supply also operates in this area.

Since a defense economy creates the social necessity of careful conservation, the Office of Production Management has established a Conservation Unit, headed by Robert E. McConnell. The Division of Civilian Supply in O.P.A.C.S. is also on the alert acting in the interests of civilians while Harriet Elliott, associate administrator of O.P.A.C.S., watches over consumers' interests.

These agencies have been outlined with the knowledge that their names and their personnel are subject to change without notice. One particular agency may in time absorb the functions of several. A new agency may be formed in place of an old one, but the problems tackled by this collection of superagencies, boards and divisions, and the basic controls which they exercise will remain the same.

4★The materials vital in defense

The effect on normal business operations. How self-sufficient are we? Do you deal in strategic, critical or essential materials? The three problems: insufficient supply, difficulty of transportation, shortage of processing facilities.

WE NOW approach the basic problems of defense by examining them in relation to the various phases of normal business activity with which the average executive is concerned. Seen in that light, the controls become readily understandable. Here we will be concerned not only with the controls that are already being applied but those into which the present immature controls will develop with the growth of the defense economy.

In discussing the separate phases of business as they will be affected by defense, the effort will be made to treat them in approximately the order in which they would occur in the average enterprise. In following the flow of business, we must run the gamut of its elements: materials, the establishment of rationing and priorities; the machinery used for manufacture; the labor employed on the machinery for the processing of the materials; the capital and credit available to finance the operations; the price not only of the manufactured commodity but also of the original materials; the power and fuel that are needed and the transportation and distribution mechanism which moves the goods.

We will have to examine the transportation problem of getting the raw materials to the plant in the first place, then study the mechanism of distribution, the function and position of advertising, of wholesaling, of retailing. From time to time, we will have to direct our attention to the conservation problem created by defense.

Finally, we will have to examine the end result which normally is profit. What will it be in our emergency economy? How will profit be controlled? What is the function of taxes in this entire scheme of defense operation?

We begin, then, with materials. Immediately we encounter three phases of the problem which the defense economy must solve.

First, even though our country is less dependent for supplies on sources beyond its boundaries than any other of the world's industrial communities, it is still true that there are some 30 strategic and critical commodities which we do not possess within our own territory in sufficient quantity for normal peacetime needs, not to mention the requirements of an intensified national defense production.

The importance of the strategic raw materials can best be illustrated by the opinion of military experts that the absence of adequate supplies may be the chink in the armor of that seemingly invincible military giant—Germany. It is one of the strangest of the

The reasons for controls

Like Germany, we lack these trees which produce rubber. Ersatz is one answer

PUBLISHERS PHOTO SERVICE



Conquered lands give Nazis little help

STRATEGIC AND CRITICAL MATERIALS

The Under-Secretary of War and the Under-Secretary of the Navy, who constitute the Army and Navy Munitions Board, have approved to this date the following commodities as strategic or critical:

Aluminum and *Bauxite 3/25/41
Antimony
Asbestos
Chromium
Coconut Shell Char
*Copper 12/11/40
Cork
*Gasoline, 100 octane 8/27/40
Graphite
Hides
Industrial Diamonds 6/21/40
Iodine
*Iridium 5/28/41
Kapok
Manganese, ferrograde
Manila Fiber
Mercury
Mica
Nickel
*Nitrogen Comps. 12/4/40 incl. Ammonia, Nitric Acid, Chilean Nitrates
Opium
Optical Glass
Phenol
Platinum
Quartz Crystal
Quinine
Rubber
Silk
Tanning Materials
Tin
Toluol
Tungsten
Vanadium
Wool
*Zinc and zinc concentrates 3/11/41

All materials without asterisks are subject to procurement under the intent of both Public No. 117—76th Congress, Act approved June 7, 1939, and Public No. 664.

*Within the intent of Public Act No. 664, 76th Congress, and for no other purpose, these items have been designated and approved as critical materials.

How war divides raw materials

paradoxes of the modern world that, of all the major nations, Germany is almost the least fitted by nature to play the rôle of a great independent power. Of the vital materials an industrial nation needs for strength in times of peace as well as war the Reich has in abundance only coal and potash. For the major part of her supplies of cotton, jute, wool, hides and skins, rubber, petroleum and petroleum products (including lubricating oil), copper and copper ore, nickel, lead, tin, gums, mica, antimony, and tungsten ore, Germany before the war was almost completely dependent on her imports from overseas.

Today, of course, the blockade has shut her off from the sources that supplied most of these vital raw materials. As for the part played by Nazi-conquered and dominated countries, it has been relatively insignificant, for (with the exception of Roumanian oil) they are not large-scale producers of raw materials.

Before the war Hitler said that Germany must export or die; the specter of a great inland power without merchant marine and navy, shut off through blockade from access to vital raw materials, must have haunted him for years. He faces that specter today in grim reality, and it may yet prove the Third Reich's undoing.

Your stake in materials

For the United States, the difficulty is not so great; but it does exist. Our first problem of materials is to assure the constant availability of our strategic and critical items, no matter at what sacrifice to civilian activity and even civilian morale. The list of the strategic, critical and also essential materials is one which should be familiar to every executive whether he himself processes one or more of the materials or is even in part dependent on a supplier whose manufacture involves the commodities on the list.

Very briefly, the strategic materials are those of which there is the greatest scarcity and for which, in most cases, we are almost completely dependent on foreign sources.

The critical materials are characterized by a greater availability than the former but are still not adequate even for defense manufacture alone.

The essential materials are necessary to defense manufacture but exist at least theoretically in sufficient quantity in the United States to satisfy the needs of defense.

This, then, is the first and most important problem in obtaining defense materials. There are two others which should be mentioned very briefly here and which will be discussed later in greater detail.

The second problem in materials flows from the difficulty in transport. This, obviously, is true of all of the strategic and critical materials that come from sources abroad. But it becomes equally true of materials of which there is no domestic shortage but which are geographically localized and therefore require great or unusual means of transportation, such as the shortage of tankers and the lack of pipelines for oil transport.

The third problem in materials flows from the absence of sufficient machinery to process some of these materials. Typical in-

stances are aluminum and tin. In the case of aluminum we have a sufficient supply of the raw material, bauxite, but defense has produced a demand for which existing processing facilities are not adequate. In the other case, tin, we have neither the ore supply nor the processing facilities. Because of these factors, our defense program is compelled to adopt certain measures.

The first and most obvious method of meeting the problem of strategic and critical materials is to build up large stock piles or reserves to meet the anticipated needs. For this purpose sums of money have been made available by direct congressional appropriation and by the use of funds from the Reconstruction Finance Corporation. In addition, special corporations have been set up, like the Metals Reserve Company and the Rubber Reserve Company, financed by the R.F.C., to help in the organization of large stores. Such stock piles not only meet needs as they appear in defense production, but also have great value in serving as a threat wherever speculative price rises threaten.

The second method of easing the problem involves the encouragement of domestic production by means of subsidies. In the case of aluminum, for example, where the deficiency is due to a lack of processing facilities, the Government has encouraged the formation of new companies and has even undertaken to study the possibilities of manufacturing aluminum itself.

Experience with tin in the first World War illustrates the possibilities of government action. Because of the tin shortage that threatened then, the United States stimulated the development of a native smelting industry with the result that, as the war closed, 20,000 tons a year were being produced here. After the war such activities were discontinued so that by 1925 no tin at all was produced in the United States. But present and anticipated needs will undoubtedly lead to further action along these lines.

Still another method, although one which has less importance is that of developing substitute or *ersatz* materials. Civilian industry must be diverted from the use of strategic and critical materials. New functions must be found for metals and materials that exist in abundance so that the pressure may be removed from those that are scarce. For this purpose the Office of Production Management has established a Conservation Unit which has undertaken detailed studies of substitute materials and processes.

5 ★ Priorities—the key control

What does "priority" control? How does the Government get first call upon your materials? How does the priorities system work? What functions does the "preference rating system" serve? The technique of contract priorities. How much will you get under industry-wide rationing? How the civilian consumers' breadline works. What are the problems of inventory control?

THE MOST important technique used in the face of existing or threatened shortages is the system of priorities. Although priorities are discussed here in relation to the problem of shortages in mate-



"Ersatz" houses leave Washington to provide homes for workers on a defense job

Non-defense business must be versatile

Priorities—a lead pipe

rials, it should be remembered that priorities are the basic instruments for coping with all shortages in the defense picture, whether in machinery, materials, men, labor, credit, transportation, power, fuel, or any of the other factors involved in the complex picture of modern war.

In addition, we must keep in mind that the problem of prices is also linked to the problem of supplies and that the control of prices becomes necessary because supplies are inadequate. Consequently, priorities play their part in the price picture and must be used in conjunction with price controls.

For the past few months American business men have felt the impact of the defense program most directly through the imposition of priorities on a number of items which they were ordinarily free to obtain in the competitive market. Now defense comes first. The economic needs of defense must be satisfied before civilian life can enter its claim. The left overs are parceled out to civilian producers.

Today, large areas of industrial activity are being run on the basis of preference ratings or priorities. In effect, the nation's supply of vital materials such as aluminum and nickel are gathered into a great commodity pool and ladled out first to defense users with the balance being divided among civilian consumers. This is inevitable in a defense economy.

Building a war machine places pressure on available supplies. If there is not enough to go around somebody must get first call and somebody may have to do without. The priority system goes beyond the pooling and rationing of raw materials and machine tools. It gives defense contracts right of way in production schedules and on assembly lines. Thus, defense contracts placed by Army and Navy agencies with private industries bear ratings in the "A" Class, broken down and turned into "A1A," "A1B," "A1C," etc. Civilian needs are not ignored. Defense uses are given the "A" rating and various civilian uses are classified according to their importances and given "B" designations, broken down into "B1," "B2," "B3," etc.

Non-defense eats at second table

Priorities may require business, like English golfers, to mix bulls-eyes and birdies

BRITISH-COMBINE



Wheels within wheels

The preference rating system performs several functions. It tells government contractors what orders they should fill first in carrying out the contracts which the Government has given them for defense materials. This is largely based upon the relative military importance and the relative urgency of the particular contract. At the same time, through a system whereby preference rating may be extended to subcontractors and sub-subcontractors, government contractors are given first call on supplies they need to fulfill the government orders. Here again there is a further breakdown and the preference rating assigned to the government contract—depending upon the military importance or the urgency of the contract—will tell those having subcontracts or selling materials and supplies to prime government contractors which of these prime contracts should be given first call.

In the administration of this system of priorities there are two important areas to be considered—the area of direct defense supply, and the area of civilian supply.

Three basic decisions must be made before available raw materials and production facilities can be marshalled by a priority system and aimed at total defense.

First, it must be decided where priorities should be applied and what materials are so scarce that industry-wide allocation is required. Industry-wide allocation is handled by the Priorities Division of O.P.M. which directs priorities policy, formulates techniques and procedures and, in general, runs the priorities program. The types of products which are to be given right of way on the country's production schedules are determined by the Army and Navy Munitions Board.

The second basic decision involves the relative military importance or relative urgency of defense contracts. Here the Army and Navy, functioning largely through the Army and Navy Munitions Board, make the decision.

The third basic decision involves the relative importance of scarcity items to the various civilian industries. Thus far, the Priorities Division of O.P.M. has prescribed formulas for rationing materials under industry-wide allocation to civilian uses. From this point on, the Priorities Division will probably carry out the actual allocation according to formulas prescribed or directions issued by the Office of Price Administration and Civilian Supply, which will make the fundamental decision as to which non-defense industries should be given preference.

Business in the breadline

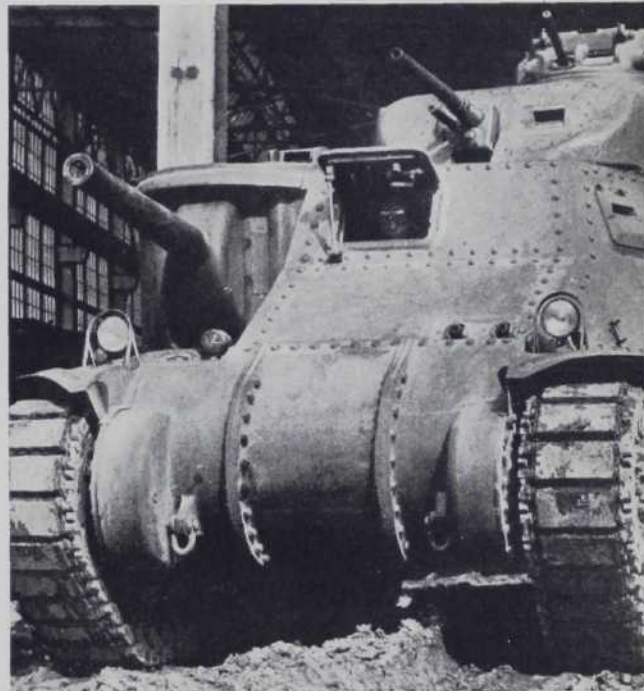
The technique employed in administering priorities varies with the problem which is tackled. First, and most widespread, there is the technique of contract priorities. When an Army and Navy buying official places an order, he gives it a preference rating. Then, if the product called for by this contract or any component required in carrying out this contract, appears on a detailed list of about 250 items known as the priority critical list, the contractor may extend his preference rating, calling upon a subcontractor, supplier, or raw material source to give him the right of way called for by his preference rating.

Other orders must be pushed aside while parts or materials for guns and planes, for instance, are moved ahead on the production schedule.

Then there is the technique of industry-wide allocation. This amounts to the Priorities Division's taking over all supplies of the commodity bought under allocation. The Priorities Division takes care of defense users, and then O.P.M.'s Priorities Division, and O.P.A.C.S.' Civilian Supply Division preside over a breadline for non-defense users.

Even within this general picture, different techniques are employed. Where there are only a small number of users, the allocation takes the simple form of rationing fixed amounts of each

Three rules for priorities



Other orders must be pushed aside while parts for these things get right of way

250 items make up critical list

The "A," "B," "C" of defense



Soldiers must be well shod even if sister can't find pumps to match a new dress

O. E. M. DEFENSE PHOTO BY PALMER

Six factors rule consumers

month's production among them. This technique was employed in the case of neoprene. Where there are a greater number of users, a rating system is employed. Defense users are given an "A" rating, and non-defense users a "B" rating. This "B" rating is then broken down further. Here, as an illustration, is the way the aluminum breadline shaped up:

Defense orders, of course, get top rating. Next (B-1 rating) are the aluminum producers themselves, each one of whom is required to set aside one per cent of his monthly production as a reserve. Next (B-2) come orders for repair or replacement parts for existing apparatus and equipment necessary to provide essential services and maintain maximum production. (B-3) are the orders essential to the protection of public health and safety. Next (B-4) comes aluminum required to feed standard materials without serious interruption of current production and for which there is substantial use in plants engaged in defense activities. Then (B-5) customers requiring less than a total of 1,000 pounds of aluminum a month are to be considered. Customers whose use of aluminum does not exceed two pounds per \$100 of final sales value of the finished article come next in line (B-6). Products in which no reasonably satisfactory substitute for aluminum is available follow (B-7). Then (B-8), last in line, are users of aluminum who can resort to substitutes.

Play ball or lose out

Notice, however, that none of these customers may obtain deliveries exceeding a percentage of the customers' monthly average of 1940 shipments from the same producer. This percentage may vary as follows:

B-2—80%; B-3—70%; B-4—60%; B-5—50%; B-6—40%;
B-7—30%; B-8—10%.

In allocating supplies to civilian industry, after defense needs are met, O.P.A.C.S. sets down six factors which it considers in awarding civilian consumers their place on priority breadlines:

1. The need to provide adequately for civilian uses essential to the public welfare.
2. The degree of hardship upon labor or business resulting from the failure to obtain deliveries.
3. The past rates of consumption by users.
4. The objective of achieving an equitable division of the supplies.
5. The availability of substitutes for the particular uses for which the products are sought.
6. The policy of the administrator to refuse to allocate supplies to any person who, in the conduct of his business, discriminates against defense orders.

Mark this carefully: Those who do not play ball with defense, in observing price schedules, in recognizing priority certificates and filing accurate reports may be cut off from all supplies of materials brought under priority control. This is perhaps the most effective and most powerful compliance weapon which defense authorities have. Notice also that the past record of consumption will be an important factor in meting out surplus materials to civilian

customers. This has been a major factor in private rationing carried out by steel and other metal producers before formal priorities struck.

Still another technique has been developed recently for items which require a speedy production tempo. The new plan, described as the Defense Supplies Rating Plan, is designed to give specified manufacturers of "off-the-shelf" supplies—at present, mostly machine tools—a preference rating for the acquisition of large quantities of scarce materials needed for defense work. Heretofore, these manufacturers have been forced to lose time in applying for preference ratings, serving the ratings on the suppliers and then waiting for delivery.

The only other alternative open to them was to fill the order promptly out of completed stock, sometimes drawing on their inventory of materials to do so. Now, "off-the-shelf" delivery is increasingly difficult.

The Defense Supplies Rating Plan operates like this:

1. The manufacturer from his *sales* records for the preceding quarter determines the percentage of his defense sales to his total sales.
2. The manufacturer from his *production* schedules for the current quarter determines the total quantity of scarce materials necessary to complete his total production schedule.
3. The manufacturer determines the quantities of scarce materials required for his defense production by applying the *percentage* developed in the *sales* analysis to the total quantities of scarce materials necessary to complete his total *production* schedule.

He is then given an "A-10" rating for the scarce materials he must have to meet defense demands. Thus, a plant which is now engaged 60 per cent in defense and 40 per cent in non-defense work may get an "A-10" rating which will apply to 60 per cent of all deliveries of scarce materials.

"Honor system" for inventories

Closely related to priority control is inventory control. The aim of inventory control is, first, to check excessive inventory buying which exerts upward pressure on prices and drains available supplies. As the supply situation tightens, inventory control may have the further purpose of reallocating inventories in favor of defense producers just as the output of metal fabricators is now allocated. At present, however, the purpose is to check heavy inventory accumulation.

This was first done by persuasion.

This persuasion is given logical weight by the definite certainty that, as materials are brought under priority control, those having excessive inventories will receive no material until their inventories are brought down to a normal level. Recently, the "honor system" of priority control came into the picture. Suppliers of 16 metals are required to file an affidavit agreeing to comply with the program, that is, not to ship in amounts which increase a customer's stock to "unreasonable" levels. Customers are required to file monthly statements declaring that they have not acquired inventories above the amounts needed to handle deliveries.



O. E. M. DEFENSE PHOTO BY PALMER

Price control, first applied to raw materials, eventually will reach retailer

Rating plan at work

Inventory control by persuasion

What is a reasonable inventory?

Thus far there has been no definition of what constitutes unreasonable inventory. In the case of some metals, it may be a month's supply, in the case of others, it may be a six-weeks' supply. A reasonable inventory is defined as "the quantity necessary, on the basis of usual methods and rates of operation, efficiently to meet required deliveries." This does not block seasonal inventory buying where necessary to meet usual seasonal production requirements.

These inventory reports will be studied and made the basis for any further inventory action. A staff of inventory inspectors will make spot checks on inventory levels. The powers of reallocation and commandeering exist. This will, however, be used only in extremely desperate situations.

Red tape plays its part

The material and supply control exerted through priorities and inventory controls means that, to keep supply lines of shortage materials open, it has become necessary to qualify as useful to government defense policy and to learn to work with the Government as you now work with your suppliers. It becomes necessary for the business executive to understand government procedure and know how to juggle red tape.

Making reports a full day's work

To get his share of materials brought under priorities he must be familiar with priority forms, know how to prepare them in the most forceful manner and when and where to file them. He must know how to time priority requests with his production schedule and how to shift his production schedule to meet priority demands placed on him. He will be required to fill out inventory reports and to receive inventory spotters. It has been established that, in Germany, a firm employing 50 men has to figure on devoting two days a week of the time of one of its top executives to priority and inventory problems. And, if a plant is large enough to employ 300 men, the probability is that one of these men devotes full time to government inventory and priority matters.

6★ Price Control—the lid on economy

Price control, the vital link in the problem of supply. What is the Government's power to control prices? What are the mechanics in controlling prices? What is O.P.A.C.S. responsible for? The danger in compulsory price fixing. How do price control and priorities link together?

Retailers will feel price control

IT HAS already been stated that the control of prices is linked to the problem of supplying those materials vital in defense and that price control functions with priorities, not only to keep the hat on prices, but also to make it possible for the economic machine to withstand dislocating pressures and still give prior right to the Government. It is, therefore, appropriate that the action taken and to be taken in the field of price control be discussed at this point.

In dealing with the mechanisms of price control, it is important to realize that, in the early stages of the defense program, these methods were employed primarily in the case of raw materials, but that now, as the defense program becomes more complete, price control advances into the semi-finished commodity, to the processed and manufactured product, and finally to the sales price to the

ultimate consumer. As this process occurs, the field of price control moves from materials to manufactures and then to supplies and services.

The need for price control is obvious. A defense program creates an increased demand and a diminishing supply in most items. Increased demand and diminishing supply inevitably boost prices in a free economy. The inflationary spiral begins and, in turn, results in the upsetting of the entire economy, the dislocation of all costs, all services. This factor is adequate justification for the imposition of price control. Price, in our society, is one of the most important levers for encouraging or discouraging production. Out of hand, prices may become the barrier completely stalling production. A defense program cannot tolerate such a condition and must, therefore, maintain a careful system of price balance and stability.

Steps toward stable prices

Consequently, the Government proceeds by several steps:

First, by law—the government has the authority under this legislation to place an order for any material or product that any firm is manufacturing or is capable of manufacturing at a price which the Government considers fair. Failing to obtain compliance with the order given, the Government has a right to commandeer the plant. This is the most drastic mechanism for keeping the price of munitions down as well as for assuring their manufacture and delivery. It is unquestionably one which will be infrequently used, but it is the most useful. Its effectiveness lives because of the mere existence of the provision.

The threat of its use is so powerful that its actual use becomes superfluous.

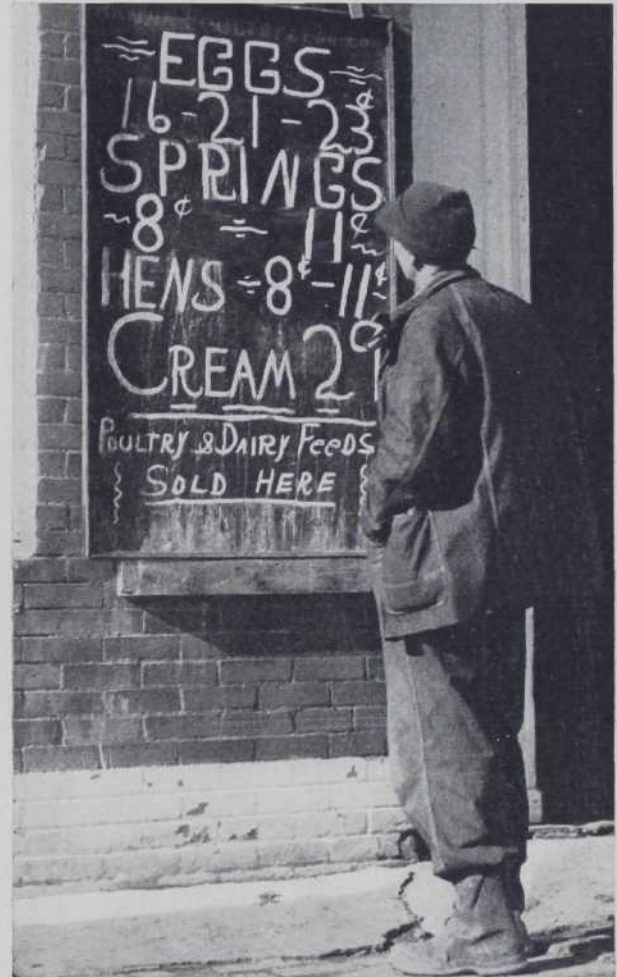
A second line of attack against unrestrained price rises is the use of the machinery of the Department of Justice's Anti-Trust Division. The Office of Price Administration and Civilian Supply, the defense agency saddled with price responsibility, has drawn up a program of cooperation with the Anti-Trust Division whereby any effort to achieve artificial price raising on the basis of industrial combinations will be fully prosecuted. At the same time both the Anti-Trust Division and O.P.A.C.S. have worked out a policy which will permit cooperative activity between the members of an industry aimed at achieving greater productivity, without involving themselves in charges of violating the Anti-Trust Law.

The most important measure for price control, however, is the systematic surveillance of individual commodities by O.P.A.C.S. The basic policy of Leon Henderson, the Price Administrator, is to keep the general price level down by focusing attention on the developments in particular commodities. This policy has resulted in three types of action by the price authorities:

1. Public announcement that the price situation in a particular commodity is being scrutinized.
2. Issuance of a formal warning to the members of the industries involved if prices are not kept in line.
3. Formal action through the imposition of price ceilings.

So far price ceilings have been imposed more often on raw mate-

Inflation lifts its head



J. W. MC MANIGAL

**Defense boosts demand, curtails supply,
making control of prices essential**

Steps in price fixing



Polish prisoners, a few of the 2,500,000 laborers that conquest has given the Nazis

O.P.A.C.S. responsibilities

rials than on finished products. The imposition of a price schedule fixes only the maximum price. Enforcement is achieved by requiring the submission of regular reports to O.P.A.C.S. so that violations of the schedule may be discovered. In connection with each price schedule, a special appeal is made to the public urging that information concerning violations be reported promptly to the Price Administrator.

The broad consequences of price instability has required that O.P.A.C.S. be made responsible for:

1. Controlling prices.
2. Exercising economic sanctions against price violators.
3. Surveying inventories for the purpose of determining probable price trends and inflation threats.
4. Studying wages and costs and their relationship to prices.
5. Correlating the administration of priorities, securities control and taxation with the defense price policy.
6. Assuring consumer protection and adequate essential supplies for civilian needs.
7. Surveying conservation measures where excess civilian use may impede the speed of defense production.

In the first steps of the defense economy every effort is made to avoid compulsory price fixing. The first line of defense against individual price boosts is an expanding supply but, to the extent that demand runs ahead of the expanding supply, consumption has to be curtailed. Properly designated, this is price management or price stabilization rather than price control.

Price control can backfire

Rigid price controls, ruthlessly applied in situations where real demand is running well ahead of actual supply might, in most instances, cripple production. Where there is an acute supply problem, the basic approach must be through priorities rather than the artificial chains imposed by price control. But both must work together. Priorities cut down the demand by the simple process of preventing some of the demand from ever reaching the sources of supply. At the same moment, price control prevents the supply from exploiting the remaining demand.

The process of price control, therefore, goes through the following steps with more or less variation in individual situations—cooperation, persuasion, education, and finally, if necessary, compulsion.

Of all areas of control, of all of the factors involved in a defense economy, the twin sisters—priorities and price control—are of the greatest and most immediate importance to the business community. The policing of prices is of primary concern to the defense machinery because the control of prices is the keystone on which the entire industrial mobilization effort may rest. Without the control of prices we might just as well forget the control of wages, because rising prices create pressure for higher wages. With a constant threat of increased labor requirements, the control of industrial production starts off, not only lame, but with a broken crutch.

Since this emphasis must be placed on price, it is imperative to

Cooperation to compulsion

our defense economy that every known method of government be employed to enforce the ceilings fixed, including the deliberate use of priorities to leave the price violator high and dry by cutting down on his allotments of power, fuel, labor, transportation or raw materials. If necessary, legislation for the purpose of enforcing price control will not only enable the Government to prosecute violators directly but may even provide for the licensing of business, as in the first World War, and the revocation of licenses wherever price decrees are violated.

If these prove insufficient, it must be emphasized again, the President can commandeer the entire plant facilities or possibly even whole inventories to transform the materials with which we have concerned ourselves into the weapons of war and the requirements of the civilian population.

7 ★ Working our machinery for defense

How do Germany and the U.S. compare in machine facilities? Must we choose between guns and butter? How are private plants to be used? What are the obstacles to using our full capacity?

IT IS valuable in appraising the adequacy of our industrial plant and the problems which confront us in the use of our machinery to make a brief comparison with the industrial plant of the most successful military nation today—Germany.

The Third Reich, with a population three years ago of 70,000,000, and covering some 180,000 square miles has since added through conquest an area more than four times as large, with some 150,000,000 inhabitants. This pillage has indeed been conducted in a grand style. From each invaded and looted country the Reich has acquired, in addition to the major part of the victim's industrial plant, vast stores of much needed gold and currency reserves, and also arms, military equipment and rolling stock.

Already the first industrial nation of Europe, the Reich has thus further increased its productive capacity by its command of the resources of an entire continent. The dominated countries have already provided some 2,500,000 conscript laborers who, it is estimated, produce at least \$400,000,000 worth of supplies annually for the war. Not only are these millions laboring at home for the conqueror, but hundreds of thousands have been shipped into Germany, thus releasing the equivalent manpower for service in the German Army, concededly the greatest military machine the world has ever seen.

Germany may, indeed, be the first industrial nation in Europe but alongside the United States she is a veritable pygmy. The most notable increase in Germany's industrial capacity has been in the iron and steel industry as a result of its acquisition, in the various dominated countries, of ore stocks and facilities for producing raw materials and finished products. Yet, with all this, the capacity under German control is less than one-half of that possessed by the United States.

As a gauge of the capacity to prosecute modern war successfully,

Price violators may lose plants

Production by pillage

In spite of our great wealth of manpower, defense strains our skilled labor supply

O. E. M. DEFENSE PHOTO BY PALMER



Germany can't match us, but—

no two individual items are more significant than steel and machine tools. We possess the largest and best machine tool industry and by far the largest steel-making facilities in the world. As a matter of fact, only two other countries have machine tool industries worthy of the name—England and Germany.

Our capacity to produce steel is more than seven times as great as our own direct defense requirements; it is more than three times the combined tonnage for defense and for maximum aid to Britain. It is no idle chauvinism to state that the United States is incomparably the richest nation, has the most magnificent industrial plant in the world and, in its capacity to convert the wealth of its mines, fields, streams and forests into products of peace and war, is the greatest power on earth.

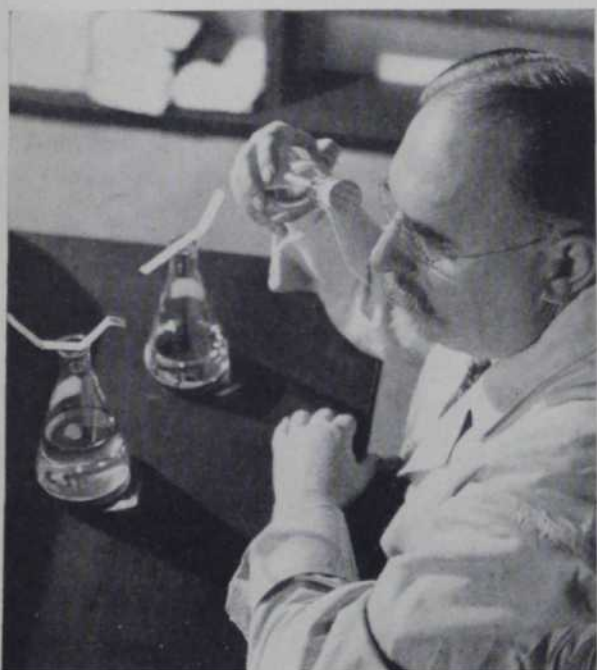
On the surface it would appear that this favorable comparison of our industrial plant with that of Germany almost immediately eliminates the problem of machinery from consideration. It doesn't. Although the German military machine has only half the iron and steel production capacity of the United States, in facilities for producing armament, Germany and the countries she has occupied in all probability hold first place. We are beginning virtually from scratch to learn how to make, on a mass scale, such essential defense weapons as airplanes, gun mounts, anti-aircraft guns, range finders, shells, bombs, tanks, etc. We are well on the road that will take us to the mightiest military position on earth. But in that road we have come to a fork.

To reach the maximum military efficiency we must take that turn which will divert our machinery into the creation of military power rather than the satisfaction of peacetime interests, convenience, and comfort. The initial approach and technique in the area of machinery was to encourage *increased* or *expanded* facilities for defense, refraining from converting our peacetime manufacturing plant to defense.

This philosophy of guns *and* butter continues to exist but we are reaching an increasing number of situations where expansion itself may create more shortage of materials than can be spared in our hurried rearmament.

Farm machinery vs. shells

Take, for instance, the need for increased factory facilities to produce artillery shells. A farm machinery manufacturer is capable of manufacturing these shells in his present plant. The choice is whether or not to build a new artillery shell factory or to use the farm machinery plant. Today's defense philosophy still would ordinarily suggest building a new factory: to absorb additional unemployed workers and to leave intact the civilian supply and standard of living represented by the farm machinery plant. But the materials that go into the construction of the new plant may be so scarce or the type of skilled labor needed to produce and operate the new plant may be so rare that, in this instance, defense may have no alternative but to convert the farm machinery plant to artillery shell manufacture. This would not only save the materials and



Can the perfume manufacturer continue to use machinery that might serve in defense?

skilled labor which would have been required to build the artillery shell plant but would also release materials and labor from the civilian production of farm machinery making it available for defense production.

Our government arsenals manufacture less than five per cent of the munitions required for war. In fact, their primary purpose is to act as laboratories for experimentation in the manufacture of these products rather than the actual manufacture itself. The bulk of the nation's defense needs must, therefore, come from private industry which had no previous connection with the making of war implements.

That raises an important question:

How are the machines in these private plants to be used? Is the perfume manufacturer to continue without inhibition during an entire period of national rearmament or crisis to use machinery which could be more useful to the nation in the manufacture of chemicals? Is the toy manufacturer to be free to continue satisfying the insistent and wholesome demand for playthings when there is insufficient plant capacity to produce the munitions that require processing by the identical machinery?

Beating plowshares into swords

When we realize that the manufacturer of adding machines can make automatic pistols, that lead pencils come out of essentially the same kind of machinery that is required for ammunition components, that makers of cash registers and business machines may be ordered to make bomb fuses; that, if the production of electric refrigerators were curtailed, the manufacture of airplane parts could be increased, that gas mask parts can come off the same assembly line as vacuum cleaners, that manufacturers of agricultural implements can turn out artillery shells, thus literally reversing the biblical mandate, "They shall beat their swords into plowshares," we are bluntly brought face to face with the full implications of national defense in an industrial society.

The problem of machinery has its roots in one industry of which the average citizen heard little before this defense period but which has now become as familiar to most American minds as the word defense itself—the machine tool industry. This industry is concerned with the making of the machines with which in turn other machinery is produced in mass quantity—the tools, the dies, the jigs and the gauges which are the keys to successful industrial mass production.

Shortage of these, regardless of the supply of materials or the availability of skilled labor or existing plant structures, presents a barrier to defense as impregnable as if all of the other factors were absent or the nation blockaded against the import of its essential requirements.

Despite the ease with which the problem can be seen, it has still not been possible to utilize the machine capacity that does exist, to bring together the large government order, the prime contractor and the countless machine shops and small facilities throughout the



W. I. NESMITH

Even skilled labor is ineffective if it lacks the tools with which to work

An effective blockade

Some complaints against business

country. Some of the complaints that are being increasingly expressed are:

1. That the available capacity for defense production is not being used as broadly and efficiently as it might.
2. That too great a proportion of defense contracts has been and is being concentrated in small geographical areas and among a limited number of large firms.
3. That many of the big firms who have been successful in biting off a major portion of defense business are unwilling, because of their private business, to devote their facilities to high pressure defense production; or, in many cases, even to subcontract portions of the work when they are not immediately handling it.
4. That such practices are resulting in (a) an increasing backlog of orders in a few plants; (b) an insufficient use of smaller *available* facilities; and (c) the prolonged survival of the "business-as-usual" psychology.
5. That inadequate compulsion is being used in Washington to force conversion to military manufacture and to compel subcontracting.
6. That an increasing number of smaller and middle-sized businesses throughout the country are beginning to grumble that the defense hue and cry about inadequate facilities and great need for intensified production is phony.

On the other hand, the prime industrial contractors defend themselves by replying:

and some answers

1. That the Government's specifications and the requirements, which the Government has been accustomed to exact from the prime contractor over a period of years, cannot be transmitted to a novice subcontractor who has had no experience with either government detail, specifications or red tape.
2. That the Government compels the prime contractor to guarantee the perfection, precision, speed and quality of the subcontractor's work when, in fact, the prime contractor is incapable of assuring these results except in his own plant.
3. That the defense appropriations have brought to the surface hundreds of firms with useless machinery, inadequate or antiquated methods of operation, and little capital, and that government expects the prime contractor not only to educate them, equip them, finance them, and rely on them, but expects the prime contractor to keep track for the Government of the bits and pieces that he would have to let out to dozens of small shops.

Again, the controversy is real but the answer inevitable. And it will not materially depend upon the justice inherent in any of the arguments. Defense will require the dispersion of contracts and subcontracts and the maximum utilization of the industrial facilities available to manufacture the nation's needs. This doesn't mean that every little machine shop in the country will be used. Many are unquestionably incapable of use. But, as the Government begins to use compulsion to force the farming out of contracts, it will also find it imperative to loosen the requirements, guarantees, specifications and contracting red tape.

As the program for wider utilization of the nation's machine capacity expands, business men doing government work will have the compensatory enjoyment of blanket priorities diverting machine capacity exclusively to their use for defense. Special methods of applying priorities to such phases of activity are being evolved in order to facilitate production, to prevent the delays inherent in requiring

In the World War, 87 workers were needed to maintain each 13 soldiers in the field

CHARLES PHELPS CUSHING



applications for preference rating certificates on each individual order. Already the Division of Priorities has formulated such procedure in the form of the Defense Supplies Rating Plan, which permits producers of industrial motors, cutting tools, lathe tools, etc., to obtain their materials on the basis of estimates of their needs well in advance, rather than by applications for each separate order.

8★ Labor—motive factor in production

The skilled labor shortage. The interlocking problems of wages, strikes and profits. Will labor continue to strike in defense plants? What does industry demand? How does the Labor Relations Act fit into the picture? Is collective bargaining inevitable? Labor in non-defense plants. What are the principles in a defense labor policy?

LET US now assume that we have the raw materials required for our defense article, the plant has been tooled and equipped and the machinery is ready. Production cannot yet proceed. There is the need for the third of the factors in the economic pattern of production—labor.

The importance of labor cannot be minimized. In the World War, according to figures published by Secretary of War Newton D. Baker, for every 13 men in the armed forces there were 87 workers producing the things needed to maintain those forces and the civilian needs of the nation. Winston Churchill, in January, 1941, reminded the House of Commons of the vital part being played by British Labor when he declared that it would be necessary for the army and air corps to

comb their tails in order to magnify their teeth in order to reduce their demands on the manpower market during the coming stringent months, so that we shall be able to man the new factories and shipyards and till the new fields . . . while our army is growing every week in power, strength, efficiency, and equipment, and a decided expansion is in progress, it is the munitions factories and agriculture, rather than the fighting services which will in the next five or six months make the chief demand for manpower on the public.

In our short defense history, despite the abnormal number of unemployed, we have already experienced a shortage of trained men in certain essential fields. Several essential industries had already begun to develop a shortage of skilled labor as long ago as the spring of 1937, when the industrial index was approaching normal. This was true especially in the machine tool and metal working industries. According to various estimates, the number of skilled workers in the United States has been reduced by from 13 to 20 per cent during the depression period.

In December, 1940, Federal Security Administrator Paul V. McNutt declared:

Scarcity of machinists, tool and die makers, skilled metal workers and aircraft and shipbuilding craftsmen and a general tightening of the labor market with a supply of available workers in a number of the skilled defense occupations almost exhausted in some localities was reported. . . . Even in the semi-skilled and unskilled occupations the usual large excess of applicants over jobs is rapidly being reduced. . . .



Civic leadership feels the pressure as defense brings hordes of workers into town

Churchill hails workers

Depression leaves its mark

Many manufacturers indicated they would operate additional shifts if qualified skilled personnel was available. . . . With more and more defense contracts reaching the production stage . . . manufacturing centers have reached a stage of activity unequalled since 1929. Non-industrial areas . . . also reported unusual activity as the result of government construction of military camps and airports.

As the business pace is speeded further, these shortages become intensified.

To establish labor controls the relations between industry and labor must be stabilized. Machinery must be established for the avoidance of strikes and labor disputes. A steady labor supply must be assured and the haphazard migration of workers from industry to industry must be reduced. Vocational training must be organized to provide the men needed for jobs that call for special skills. Efforts must be made to avoid depletion of essential manpower by conscription of men into the armed forces. The expansion of war industries creates an intensified need for management personnel. Unemployment must still be handled. Wage rates must not be permitted to skyrocket; they must be kept in definite relationship to the price level.

This involves wage stabilization, price or cost of living control, and the establishment of a sound relationship between the two.

Labor must pay two prices

The basic problem in the field of labor flows from the fact that labor will have to pay two prices: First, it must provide almost completely the bulk of manpower under the draft law, since the bulk of the country is actually labor in field or factory. Second, it must not, in the exercise of either whim or dire need, impede the flow of production needed for the successful equipping of our defense machinery.

Under our form of government no matter how "one-man" the control, how drastic the regulation, the concessions which will be compelled from the various sections of our economic society must be bought. Thus, if labor is to agree to absolute non-stoppage of essential productive activity, it will demand, and must receive, the following assurances:

1. That industry will not be permitted to profiteer at the cost of the civilian population—that means war profits control over industry.
2. That industry will not be permitted unreasonably to increase the cost of living beyond labor's reach—that means price control.
3. That labor will have the opportunity to earn its just share of any legitimate profits which a preparedness program brings to industry—that means the continuance of the right of collective bargaining and the assurance that the legitimate demands requested in collective bargaining will be enforced by the Government in place of enforcement by strikes.

Now we begin to see how the pieces fit together. If labor is to pay its price, it demands three guarantees which in turn are prices to be paid by industry. Will industry pay these prices? Will it submit to profit control, price control, and collective bargaining? The answer is "Yes" if in turn it receives assurances—assurances that labor will



Machinery must be established for the avoidance of strikes and labor disputes

What Labor must have

Will industry submit?

not be permitted arbitrarily or unreasonably to make demands for wage increases which have no relationship to the profits of industry or the cost of living and that labor will not be permitted under any circumstances to stop production in essential enterprises.

Industry wants to be sure that it can get adequate power, fuel, and the necessary raw materials which go into the construction of an essential commodity. It has to know that any war profits taxation will not only leave business with a profit but leave it with a cushion on which to fall during post-war adjustment. Industry must be fairly certain of the necessary labor, skilled and unskilled, despite the draft; it must be confident of its ability to retain those of its key men who are vitally necessary to its activity.

The Government must be reasonable in its determination of what is essential enterprise and what is not essential for national defense and it must keep business informed promptly of the ways in which it can best adjust itself and alter its activity to avoid complete shutdown and the resultant impossibility of resumption when the emergency is ended.

If any accurate appraisal is to be made of the labor problem in the defense economy, it is important to examine the problem of strikes in defense industry and the position played in this problem by the National Labor Relations Act. To do so, we must free ourselves as completely as possible from the atmosphere of charge and counter-charge, emotion and criticism which has clouded this same issue in the past three years. The law now on the federal statute books, the National Labor Relations Act, can in time of war be permitted to remain in substantial effect without doing serious damage to the control of labor. In fact, the law can serve one of the functions of defense. Within the past 50 years nearly a dozen presidential commissions appointed by both Democratic and Republican incumbents in the White House and in Congress have investigated labor. These commissions have reached one uniform conclusion—the economic and national desirability of collective bargaining if uninterrupted production is to be achieved.

Closed shop no handicap

The existence of uncontested collective bargaining and almost a complete closed-shop in England today is not impeding the rearmament program. As a matter of fact, the most recent recorded statistics of strikes in England indicate that, in February, 1941, only 23,000 manpower days were lost as a result of industrial disputes, as contrasted with 168,000 in February, 1940, a total which incidentally is higher than the monthly average of 110,000 days lost during the peacetime months of 1938 and 1939.

When the problem is analyzed, it is discovered that the war difficulty stems from the threat of strike rather than from the existence of collective bargaining.

It is probably politically impossible to enact a statute to end the right to strike during war. But it is possible to enact a collateral statute to the National Labor Relations Act which will, in effect, insure that there will be no strikes in essential industries during the

What industry must know

How Government can help

As for collective bargaining

Threat of strike real worry



Labor must provide the bulk of manpower for both civilian and military needs

First steps toward labor peace

The Board's best weapon

defense emergency. While such a statute would either eliminate strikes completely in defense industries or make it extremely difficult for them to occur—lengthy notices, mediation, and arbitration procedure—almost full labor freedom would still continue to exist in industry unrelated to defense.

If right to strike is lost

Here is where the National Labor Relations Act comes into play. The previously outlined procedure which, in effect, prevents strikes in essential industries would not affect other industries. Non-defense industries would still come under the jurisdiction of the National Labor Relations Board as they do today. Employees in such industries would still be free to strike as they are today. These are normal economic conflicts in a free society and hold no serious dangers when they affect non-essential industries only.

In essential industries, if labor has in effect lost its right to strike it must have some way of assuring itself a portion of any of the war profits made by industry. This is the economic function of collective bargaining, even if the right to strike cannot enforce it. In the absence of the right to strike, it will be the problem of the Government to assure labor in essential industry this distribution of earnings.

The first steps so far taken to solve the problem of labor disputes which may impede the defense program include the utilization of an existing agency and the creation of a new one. For years the United States Conciliation Service, a branch of the Department of Labor, has been attempting to settle labor controversies by bringing the parties together voluntarily. Because of the urgency of the defense program it has proved to be unwise to leave such disputes entirely in the hands of an agency operating on the basis of a willingness of the disputants to meet in the presence of a government conciliator.

The National Defense Mediation Board was therefore created. It assumes jurisdiction only after the Conciliation Service has certified the dispute to it. Because of the psychology generally prevailing and the need for speedy settlement of controversies, the Conciliation Service has been certifying cases to the National Defense Mediation Board as soon as it becomes convinced that its efforts are not meeting with success.

The major weapon in the hands of the Mediation Board is its ability to arouse public opinion on the basis of its findings and to use the pressure this creates to compel whichever party may be recalcitrant to arrive at a settlement.

But there are other problems, and they involve the redistribution of labor. The International Labor Office of the League of Nations, in its study of labor problems in time of war, crystallizes the problem in these words:

Millions of men have been withdrawn from industry and agriculture in different countries. Urban centres have been partially evacuated because of the dangers of air raids. Immense resources have been turned to the production of armaments. Hours of work have been increased. Large numbers of women, children, and elderly persons, have

been drawn into industry, commerce, and agriculture. Frontiers have been closed. An economic blockade has been established. Prohibitions or restrictions have been placed on numerous articles of export and import. A large-scale redistribution of manpower has taken place.

But, in the face of these facts, the I.L.O. points out that a serious skilled labor shortage exists while the ranks of the unemployed do not substantially decrease despite the withdrawal of hundreds of thousands of employed men for military service.

The I.L.O. summarizes the question by saying:

Employment and unemployment become specially important problems in wartime. It might be imagined, at first sight, that unemployment was swept away by mobilization, and that the calling up of vast masses left empty places in offices and undertakings which would automatically absorb the unemployed. That would be so if the problem of unemployment were purely arithmetical. The real situation is much less simple. In the past few years, experience has shown in several countries that an increase in the demand for labor means the reemployment of a corresponding number of unemployed only if they have the necessary qualifications for the vacant posts. This question of qualification, so far from being eliminated by mobilization, has become of primary importance.

In facing the question of skilled labor requirements in a defense economy and in preparing blueprints for a widespread apprentice training program, defense agencies are confronted by new difficulties. Union labor is never eager to increase the number of men equipped to perform a specialized service; and it is less so in an era when millions are unemployed.

Yet, unless that difficulty is overcome, the skilled labor shortage which actually exists today and which has already impeded munitions production in more than one plant will in our own unlimited emergency become a major obstacle to achieving maximum efficiency in our utilization of the nation's resources.

Finding skilled workers

It is the Labor Division of the Office of Production Management which is concerned with the problem of remedying the deficiencies in the skilled labor supply. Its first task has been to place qualified workers in the important defense posts.

Toward this end it has been utilizing the facilities of the United States Employment Service which maintains lists of unemployed workers with special skills. Appeals have been issued to the jobless to register with it so that the defense agencies may be able to locate needed men whose special skills would otherwise remain unemployed.

A major part of the Labor Division's work is that of providing vocational training so that the number of skilled workers may be increased. Apprenticeship programs, vocational schools, training in the C.C.C., N.Y.A. and W.P.A. are some of the methods being used.

In addition, a Training-Within-Industry program has been evolved by means of which the unskilled and semi-skilled are given the opportunity to acquire the techniques needed by defense indus-

What war means to labor

But unemployment continues



A skilled labor shortage must be eliminated by training unemployed and youth

AUTHENTICATED NEWS

Skilled workers and the draft

Key jobs exempt

try while on the job. Programs for safety within the plant are being pushed with a view to reducing the dislocation which results from accidents and the consequent loss of man-days.

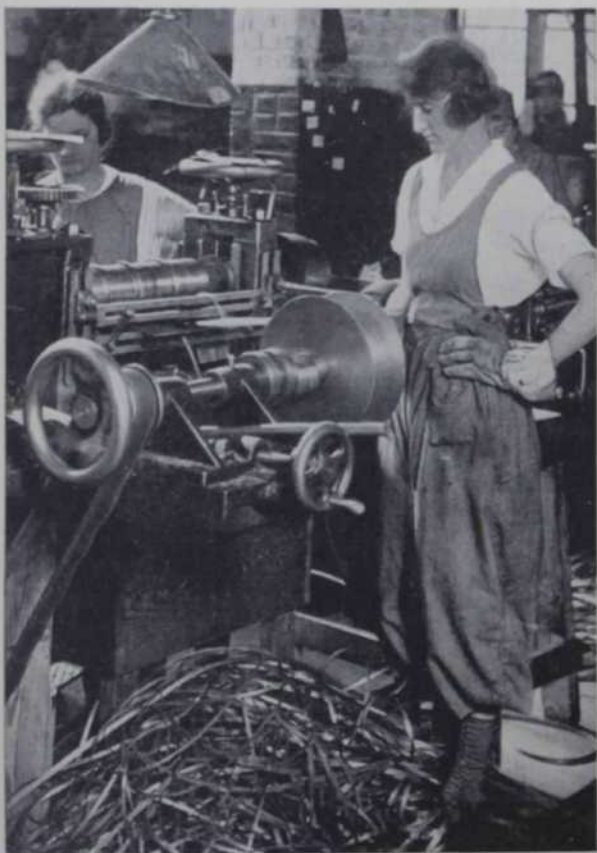
In this connection, the transition which took place in selective service is of great importance. Under the Selective Service Act as originally passed, the law specifically prevented occupational deferments for entire occupations or industries. The first regulations under this peacetime military training act, in establishing the principle of industrial deferment, provided for deferment of all "necessary men in industry, business, employment, agriculture, government service, or in any other service or endeavor including training and preparation." Little distinction was made between defense industry and non-defense industry under these regulations. A little less than a year after the law was enacted, however, a change of regulations created two classes of industrial deferment: IIA, for those irreplaceable and key individuals in normal business activity; and Class IIB for the skilled workers and artisans operating in defense industry. The first deferment is a six-month deferment that requires renewal at the discretion of the local board. Class IIB enables indefinite deferment for the duration of the particular work.

Work or fight?

The system of deferments is the first step toward the philosophy of the work-or-fight regulations used in the first World War—regulations designed to force men into essential defense industry or else into military service. It is estimated that 137,255 men were affected by the work-or-fight regulations in the World War, despite the fact that the regulations were promulgated not many months before the close of the war. There is no accurate count of the hundreds of thousands who left their non-defense jobs and moved over into defense work before the work-or-fight order could be applied to them. The principle will and must be increasingly recognized as one of the imperatives of modern defense, because the skilled worker in defense industry may be more vital than his brother in military uniform though the personal sacrifice of the man at the front is of course much greater.

Much of the experience encountered in the field of labor during the first World War must not be repeated in this defense period. During a large part of the last war, the labor turnover became enormous as men, lured by higher wages, moved from job to job. The demand for labor had, of course, increased as a result of the war boom and, at the same time, the supply had been cut down through the diminishing of immigration and the calling of millions of men to the armed forces.

The unscrupulous activities of many private employment agencies became a national scandal. In some cases, they even fomented strikes to create opportunities for their profitable employment. They raided well manned industries to get men for others and employers often maintained employment bureaus which stole labor right and left without regard to the needs of defense production. Wages were unsettled, scales so varied and employment conditions



During the World War women received the same wages as men for machine-shop labor

PUBLISHERS PHOTO SERVICE

so diverse, that competition between employers became keen and labor lost its sense of balance. Strikes over the most trivial matters became frequent and the consequent loss of productive effort was enormous. Chaos is the only description for the general labor situation that prevailed in the first year of the war.

The principles established by the National War Labor Board to cope with these problems in the first World War are the essential principles which will be the basis for handling the same problems in this emergency. Briefly summarized, they are:

1. Strikes and lockouts during emergency must not occur.
2. The right of employees to organize into associations and groups and to bargain collectively must be recognized.
3. Workers must not be discharged because of trade union membership or activities.
4. Non-union workers must not be interfered with by union workers.
5. Where the closed shop exists it shall continue to operate.
6. Where unionists and non-unionists work together, this condition may continue without constituting a grievance.
7. Where the employment of women on work ordinarily performed by men becomes necessary, they must receive equal pay for equal work.
8. All workers are entitled to wages which are sufficient to insure the subsistence of the workers and their families in reasonable health and comfort.

To control labor migration and labor piracy, it was also provided shortly before the war came to an end that all recruiting of industry labor for war work, whether private or public, had to be conducted through the government Employment Service or by methods approved by the Service.

The solution of the labor problem cannot be complete without a reference to the use of priorities. Sidney Hillman has already suggested that it may be necessary to transfer workers from civilian industry to defense industry, in spite of any hardship that may be caused. War production must have priority over consumer goods industry.

9★ The position of power and fuel

Is there a threat of shortage? What is the Government's authority over power? Why gasolineless Sundays? Power—the whip over recalcitrant business.

EVEN WITH an adequate supply of materials, machinery and labor, the tasks of defense are not yet certain of completion. If power and fuel are lacking, the apparatus of production must inevitably be stalled. Consequently, a defense economy must pursue a program that has been carefully worked out with a view to insuring the existence of an adequate supply of power and fuel.

Here again the United States is fortunate in that it possesses the tremendous resources that are essential. Both in the case of power and fuel, however, the defense program faces no problem of absolute country-wide shortage but rather a problem of undue geographical load. Because of the high industrial concentrations in some parts of the country, local shortages in power and fuel may

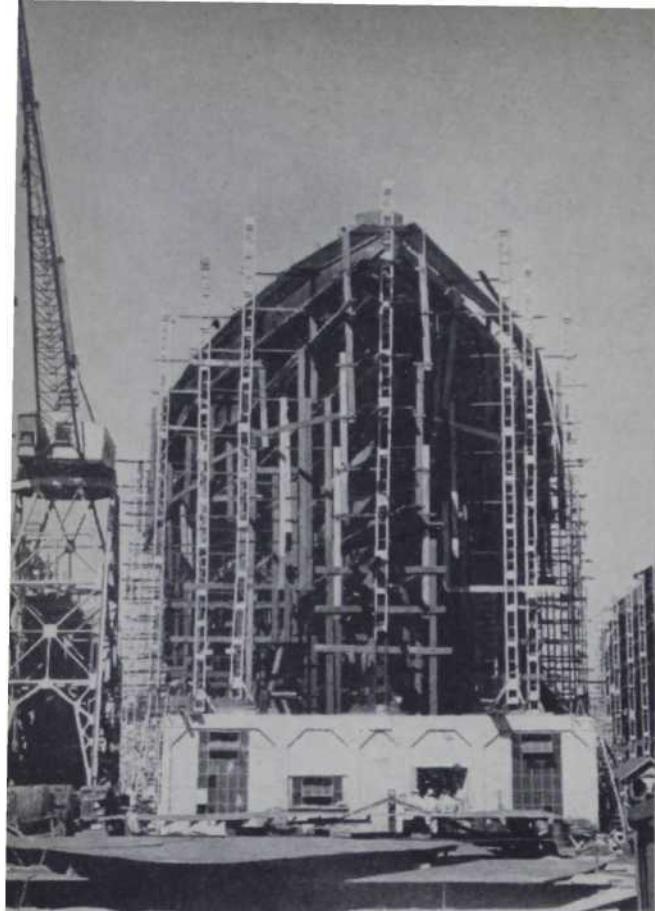
War rules for labor



HESMITH & ASSOCIATES

No country has more ability to turn its water power into products for peace or war

Too much in wrong place



All welded steel ship construction marks application of new process to emergency

develop. As a result, priorities may have to be applied to the available supply so that essential industry may continue to function. Government surveys have been under way for a considerable period with a view to determining in advance the localities where power shortages might appear as a result of the fact that defense orders require the full capacity of plants in specific areas. Similarly, utility expansion has been encouraged in those areas where it is felt that expansion of power facilities is desirable from the defense viewpoint. In such cases, government loans have been available for the building of the new facilities. Army power experts have been particularly active in encouraging the construction of transmission lines so that power could be diverted from areas of surplus to those of shortage.

The Office of Production Management is seeking also to expand one hydro-electric power supply so as to bring in at least an additional 1,000,000 kilowatts by 1943 or 1944. So far as conservation of power is concerned, the O.P.M. has recommended universal use of daylight saving time.

An important defense weapon lodged in the hands of the President is that granted by the Federal Power Act of 1935 which authorizes him, during an emergency, to require by order a temporary connection of facilities and the generation, delivery, interchange or transmission of electric energy in such a manner as would best meet the emergency and serve the public interest.

Picnicking on the porch

In the case of fuel, similar problems exist. As has already been indicated, shortage threatens in the oil supply despite our tremendous oil resources. The shortages will be purely of a local character, occasioned by the lack of facilities for transporting supplies. For example, the diversion of oil tankers to the carrying of supplies for Britain has made the eastern seaboard feel the pinch already. Steps are being taken to rush the building of new facilities, particularly pipe lines, to remedy the situation. In addition, the President has appointed Secretary of the Interior Ickes as the coordinator for the petroleum industry. Among his new responsibilities will be the introduction of a careful program of conservation. Automobile owners in areas where such shortage occurs may have to do their Sunday picnicking on the front porch.

Strict government control of the power and fuel supply has an importance beyond that of assuring an adequate supply for defense industry. The Government has an interest also in being able to withhold the power and fuel supply. Government control of power, for example, can be used to whip recalcitrant business into line. Any business man who refuses to cooperate with the Government in defense measures may receive short shrift and little power or fuel. Since the Government will have its hands on the switches and pipe lines, it can also shut off supply to industries that are not essential to the war effort. Transportation priorities can be used in the same way. Any one who balks at complete cooperation with the Government's defense program can thus be subjected to industrial starvation.

Gasolineless Sundays

Using power as a whip

The discussion of the fuel problem has necessarily involved reference to the difficulties created by possible shortage of transportation facilities. In this field, the President already has all necessary powers as a result of his declaration of a national emergency. Legislation from the first World War has given him the power to establish priorities for the transportation of troops and materials of war.

In addition, the Transportation Act of February 28, 1920, authorizes the President in time of war or threatened war to require the transportation facilities to give preference or priority as directed by him in the interest of the national security. He can require joint or common use of terminals and railroad tracks to meet the emergency. Most important among his powers is his ability, in time of war, to take possession and assume control of any system of transportation to meet the pressing needs of defense. In connection with shipping, the President possesses similar vast powers which are being used in the effort to build "a bridge of ships" between the United States and England. The maintenance of cargo priorities is among the inescapable factors of foreign trade. Defense insists that coffee remain on the docks so that rubber, tin, hemp and other strategic and critical materials may be carried. With cargo space speedily shrinking as a result of the world situation, the import of luxuries or even purely civilian necessities must decrease.

10★ Capital and Credit—the oil in the economic machinery

How money is used for defense. Will securities be regulated in proportion to their essentiality? Will government corporations take over private risks?

IN DEALING with the problem of defense material, machinery, labor, power, fuel, and transportation, we cannot overlook the importance of capital and credit. Without these the necessary increase in our defense resources becomes impossible. The expansion of plant capacity, the creation of new machinery, the employment of new regiments of workers—in short, the increase of national production—cannot be achieved unless there is a well organized program of defense financing. Money is still a powerful economic weapon useful on the war front. It is highly important that available capital and credit should not be used to expand non-essential industries. Here, too, priorities must be brought into action. Defense production must have first call on our financing resources.

The Securities and Exchange Commission is already proving to be one means whereby credit is being diverted from non-defense to defense activity. Thus, for example, Sumner T. Pike, Commissioner of the Securities and Exchange Commission, prepared plans to bar capital financing which might draw materials and skilled workers from defense industries. After consultation with Edward R. Stettinius, Jr., Director of Priorities, and Sidney Hillman, Associate Director of the O.P.M., Mr. Pike announced the following policy:

Wherever it appears that any of the proceeds of a securities issue registered with us are to be used for new or additional facilities, such as buildings or machinery, we shall contact these branches (Stettinius'

What President can do

A "bridge of ships"

Americans adapt bantam cars to perform function of motorcycle in foreign armies

O. E. M. PHOTO BY DIXON



Mobilizing credit

British market keepers were obliged to handle ration cards early in 1940

Priorities Division and Hillman's Labor Division) of the national defense program. If they tell us either that materials or labor are unavailable or likely to be unavailable for the purpose specified in the registration statement, we shall require that this information be prominently displayed in the registration statement and prospectus.

Such disclosures would obviously discourage financing of the projects. As a result of such a program, the O.P.M. would be able to control all efforts for the public raising of money for new projects. Credit, materials, and labor can thus be diverted from non-essential to defense industries.

The Reconstruction Finance Corporation and the Federal Loan Administration are also in a position to assist in defense financing. They have already been engaged in directing government funds toward essential industry. The Federal Reserve System will be used more and more to regulate war finance and to channelize it in the most useful direction.

The Board of Governors of the Federal Reserve System, it should be noted, can be given the right to limit the amount and direction of credit extended by member banks.

In certain cases, the Government is prepared to organize corporations controlled or owned by it to render services or take business risks which it cannot reasonably expect from privately owned bodies. This is best illustrated in the field of marine insurance. In time of war, it is unreasonable to expect private corporations to insure against war risks at other than impossible premiums, yet the absence of insurance may well destroy the ability of private water carriers to continue to function. The extension of government activity into this realm is therefore inevitable.

Defense financing obviously is not limited to the direction of funds by means of which private industry can function under the increased weight of defense production. The Government itself faces the problem of raising the money needed for the acquisition from private industry of the tremendous military stores which must be built up.

11 ★ Conserving the nation's resources

Must someone get hurt? How is the national belt pulled in? How does defense affect distribution? How will duplication, waste and unnecessary uses be curtailed? A birdseye view through the eyes of our friend, the druggist. What is a luxury? Is there a transportation problem? What are the functions of the trade association and chamber of commerce?

AS A COROLLARY to the need for conversion of a substantial portion of the nation's plant facilities to the manufacture of military supplies, the position of consumer goods as well as the distribution of military goods must be discussed. As more and more of the nation's productive capacity and ability is required for the needs of national defense we will observe the growth of conservation methods—a procedure to conserve material, to save energy, to minimize labor, to eliminate waste.

This must necessarily involve the denial to consumers of goods

to which they have been accustomed in peacetime. As the Director of Priorities has expressed it:

Wherever there is a priorities situation somebody is going to get hurt.

The announcement by the automobile industry of a projected cut in future automobile models was the first major voluntary move—a move that actually, in this instance, is characterized not by its drama as much as by its modesty. On the day of the announcement of the 20 per cent projected cut, the certainty in informed circles was that this was the minimum percentage of conservation in that industry. Sure enough, within 90 days, the Army requested that the voluntary reduction be increased to 50 per cent for 1942.

In another direction, conservation has already impelled radio broadcasting stations to curtail drastically the quantity of their recordings for private and library purposes, that the aluminum which forms the base of the acetate record might be conserved.

Pulling in a nation's belt

This national pulling in of the belt is to a certain extent accomplished by the psychology of the moment, and to that extent it is voluntary. But the substantial pressure behind conservation is in the exercise of the controls which we have already discussed. The priorities on the scarcer raw materials are the most effective means of compelling business to conserve its very limited supply of the scarce materials which it uses.

Even if the merchandise is necessary to the civilian population and the transportation facilities are adequate, the manufacturer, wholesaler, and retailer cannot be free to merchandise the style, the various types, the attractive packages used during peace.

Non-essential products which involve in their manufacture a commodity on the strategic or critical list of the Army and Navy Munitions Board may, as the problem of supply becomes more critical, prove to be unobtainable. In addition, among the important targets of government control in the defense economy of scarcity must be those trade practices, selling and advertising procedures which result in duplication and waste, such as excessive brands and unnecessary style variations, superfluous containers and wrappers which have no value in a war economy. Here are the objectives that such conservation will operate to accomplish in the field of distribution:

1. Obtain all possible reductions in the number of styles, varieties, sizes, colors, finishes, etc., of the products of the industries in question.
2. Eliminate styles and varieties of articles that violate the principle of economy in the use of constituent materials; for example, garments requiring unusual yardage could be eliminated.
3. Eliminate features of adornment that add no usefulness.
4. Reduce the production and sale of articles that yield only minor comfort and satisfaction.
5. Substitute plentiful articles for scarce ones.
6. Discourage the use for unimportant purposes of articles that are needed for more important purposes.
7. Standardize sizes, lengths, widths, and the like in such a way as to



EWING GALLOWAY

Cutting auto models 50 per cent releases skilled men like these for defense work

Fewer styles to choose from

Objectives of conservation



Bathing caps were restricted to one style per manufacturer in 1918 as a war measure

H. ARMSTRONG ROBERTS

World War taboos

Coal from candy

preserve sufficient strength and durability, while achieving economies in materials and labor.

8. Reduce the waste of materials in manufacturing processes generally.

9. Economize in the use of samples.

10. Economize in containers by eliminating smaller and odd sizes.

11. Economize in packing by increasing the number of units per package.

12. Economize in shipping space and packing materials by baling instead of boxing.

Imagine yourself for the moment in the corner drugstore. There is hardly one of these conservation methods which does not hit our friend, the druggist, in his selling methods. As a retailer he is a relatively inactive participant in the conservation program; inactive in the sense that he is the object of the economic change and only remotely responsible for accomplishing it. The compulsion to conserve and convert rests largely on the manufacturers who supply him. The most obvious effect on our druggist is that some shelves are empty where they formerly were full. A number of imported products are unavailable. As the defense economy grows, we reach the stage in which luxury manufacture becomes unpatriotic. The price of a number of drug necessities and proprietaries will be fixed; anticipated merchandise on order may often take considerable time in arriving as bottlenecks occur in production or transportation. Behind the counter, women begin to occupy positions where male soda clerks formerly stood.

Guns for beauty, too

In terms of products, the fate of the druggist as a retailer can be found in the experience of one simple item during the last war. Bathing caps were restricted to one style and one color for each manufacturer. And in the field of luxuries, among the list of non-necessaries the use of which was considered unpatriotic in the World War, are the following items carried in many drugstores: jewelry, cosmetics, perfumes, curling irons, powder puffs, liquors, tobacco, confectionery, chewing gum, patent medicines, pastries, art goods, pictures, ornamental clocks and watches, toys, fancy stationery, photographic supplies, poker chips and playing cards. The present economy is rapidly developing a similar list of taboos.

It was estimated during the last war that the elimination of the manufacture of confectionery, not including ice cream, as part of the conservation program released 50,000 persons for war work and diverted fuel to defense use in the following amounts:

81,000 tons of anthracite coal,
217,000 tons of bituminous coal,
14,000 tons of coke,
23,000 barrels of oil, gasoline, and
689,000,000 cubic feet of gas.

It is important to examine the more or less mechanical and administrative phases of distribution. In that area, transportation will probably be the most visibly regulated. Wherever there develops a shortage of transportation facilities, the exercise of priorities will

limit the transportation facilities to those organizations most essential to the war economy. Obviously, the Government's needs for munitions and supplies will be satisfied first. Almost equal in consideration to those needs are the basic requirements of the civilian population. But luxury or non-essential manufacturers, it is certain, will have to wait their turn at the depots when the slightest shortage in facilities develops.

The transportation picture

The problems in transportation are due in great part to the non-replacement of equipment during the depression years. Shortage will become more acute as a result of dislocations made in transportation flowing from defense itself. Our economy has been so balanced that the removal of a certain type of transportation without a compensating facility produces difficulties.

Too gloomy a prospect in the field of transportation should not, however, be presented. Many of the difficulties which were encountered in the course of the World War are not expected to recur. Our economy has expanded since 1917-18. Transportation, warehousing, banking, credit, accounting, selling and advertising, improved factories, bigger freight cars and locomotives, better roads, faster delivery cars, more powerful auto trucks, have speeded up service between the producer and consumer. They are not only valuable assets on the nation's military balance sheet but they also eliminate possible bottlenecks that would require more stringent economic controls to the detriment of normal functioning in the distribution industry.

We have learned much from our World War experience when the distribution system bogged down. To forestall a repetition of that calamity, which was due largely to a lack of proper geographical distribution of the industrial war load, every effort has been made since then to stimulate the location of industrial plants outside the congested area. In the allocation of facilities for wartime production, preference has been given to forces located inland to obviate unnecessary burdens on transportation, power, labor and production. We have not done a perfect job in this respect. Despite the great efforts by the Army and Navy and the Office of Production Management, the defense load is still dangerously concentrated in one section of the country.

Fortunately, defense demands on industry and the distribution system do not in all cases constitute an additional abnormal burden. In many important respects it will be merely a replacement load, for the character of industries will be changed. For example, the people of the United States spend about \$49,000,000 each year for jewelry. Factories which make these luxury items also make fuses for artillery shells. More than \$46,000,000 is spent for pianos and organs. Firms of this type have been allocated to make frames for saddles, military shoe lasts, and pontoon equipment. To supply flying clothes for our military aviators, the Government will compete, and successfully, with milady's furs, an \$18,000,000 industry.

To a large extent our normal distribution system, market mechan-

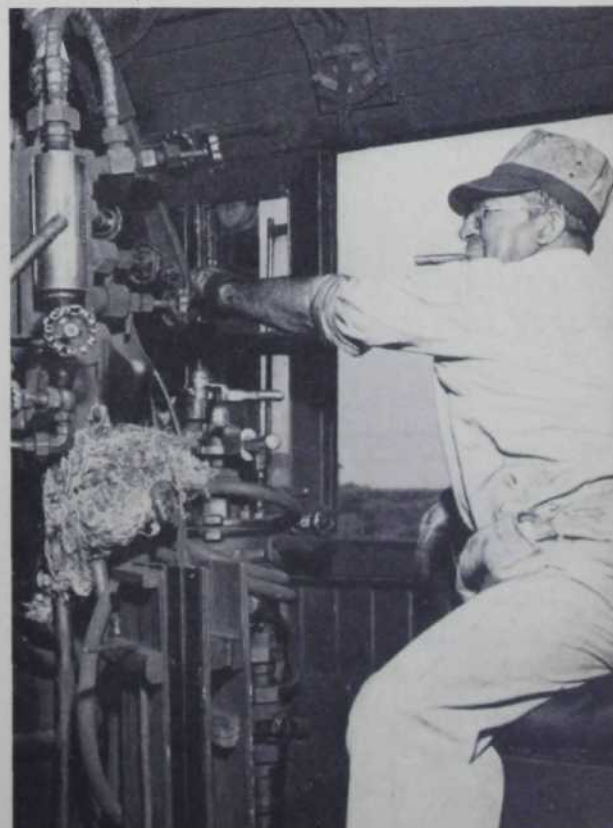
Goodbye, luxuries

1918 was different

Stretching bottlenecks

Transportation has been speeded up and should not require more drastic controls

FRITZ HENLE FROM BLACK



The trade association's place

ism, trade associations and relationships will remain fundamentally unaffected. If anything, the machinery will be strengthened because of its importance to the full utilization of the nation's economic resources during war.

The trade association will not be merely the voluntary association of private executives as it is now—it will be the liaison between government and industry.

The past few years have witnessed instances of active friction between the Government and a number of trade and business associations. But, as in many other phases of the relationship between Government and business, the urgencies of defense will introduce a change. Close contact between the agencies responsible for defense policy and the industries over which the policy is to be exercised will become increasingly important.

The chamber's place

Problems of price, supplies, priorities, and manufacture are in most instances peculiar to the particular industry affected. The controls that are exercised are also in most instances applicable to a particular industry. It is inevitable, therefore, that industry organizations will be the means of translating the defense program into action on the part of the individual businesses affected.

There are only two types of groups which can be used for this liaison function. The first and most readily available are the trade associations functioning in the specific industries. The only other alternative requires the formation of what in essence amounts to a new trade association or, more accurately, a committee representative of the industries operating in a particular field. Similarly, where the area of defense interests involves a community rather than an industry, the agency of communication and action will, in many instances, be the local chamber of commerce. Already, for instance, more than 700 chambers have set up national defense committees through which, in cooperation with other local agencies, they are meeting problems involved in physical defense and the maintenance of public morale.

Returning to our distribution problem, the market mechanism will still move according to the existing supply and the existing demand but it will move within prescribed limits. That portion of distribution which has its base and incentive in price will function with a new incentive—the needs of the Government or the civilian population.

12★ The changed motive forces in distribution and advertising

How advertising reflects the changes in business. What happens when consumer manufacturing is converted to military uses? Selling the company's cooperation with defense. Selling dreams instead of tangibles. How is selling adapted to the pressure against luxury goods?

NOT ONLY is the distribution problem of typical business activity affected in the defense economy but manufacturers concerned with civilian needs who have been engaged in creating their products for a free population will have to view their advertising problem in an



O. E. M. DEFENSE PHOTO BY PALMER

Steel ribs are being rapidly assembled to help ease the need for cargo space

entirely different light when all or part of their facilities are devoted to government orders, or are kept away from civilian manufacture by scarcity, priorities, rationing or conservation.

The integral relationship of advertising with the entire distribution mechanism justifies some examination of the transition in this one field of distribution.

Obviously, all of the factors which affect the advertiser and the manufacturer will be transmitted into equally immediate and perhaps more drastic effects in the advertising and on the advertising agency. Certain manufacturers can or may even be compelled to convert their plants to military production. Their employment will remain the same and perhaps even be increased. Their pay rolls may be as great, if not greater. Their profits probably will be undiminished, even though more heavily taxed. But the advertising agency can only look on with envy; it isn't capable of this wide adaptability. A copywriter preparing material for the sale of a peacetime commodity is capable only of two conversions—propagandist copywriter for the Government, or gun carrier.

Advertising's new job

The entire problem of conversion of peacetime industry to military needs can be translated into advertising repercussions. The advertising doesn't end; it begins to serve different functions. Where formerly it was necessary to use advertising as the means of making customers, the restriction of normal manufacture creates the need to keep customers even if you can't sell them.

A second defense function of advertising for private industrial activity is to satisfy the potential consumer as well as non-consumer that the company is doing its job in defense and is doing it well and patriotically.

A third function of advertising is to provide the civilian population with something to dream about, even if they can't buy it.

An illustration of this strange phenomenon in a war economy is evidenced by the fact that the English *Vogue* magazine had a greater circulation almost two years after the war than it did before the war broke out, this despite the fact that the availability of the type of products and garments advertised in the publication had been drastically reduced. The British Government has not only refrained from discouraging the publication of this among other luxury magazines but has actually recognized the part played in defense morale by the dreams, the escape, and the illusion created by the contents, including the advertising. As these pages were being closed, the entire plant of the British *Vogue* was destroyed by aerial bombs. Almost immediately steps were taken to rebuild, reequip and reopen in the midst of war.

The second problem in the advertising and sales phase of distribution flows from the difficulty of import which has been emphasized before. Obviously, the disappearance of a product or its drastic limitation either because of import difficulties or domestic material scarcity affects the sales and advertising of what formerly may have been an extremely profitable and popular article. More

What copywriters can do



In World War days Government used advertising writers and artists to advantage

Ads build British morale

When clients disappear



BRITISH-COMBINE

People accept hardships as these British children do only if all must share alike

Unpatriotic selling

than one imported perfume, wine, textile, etc., has already disappeared from the market and consequently from the national advertising scene.

A third factor will operate to reduce consumption, particularly of the luxury and non-essential items, as soon as any part of the nation is compelled to pull in its belt or accept sacrifice and control as a result of a national defense program. That factor is neither governmental nor military; it is psychological. The great bulk of the nation will not sit by happily under the strain of limitations, controls, inhibitions, restricted movements, conscription, perhaps the peril of death, while another section of the population is free to spend and enjoy.

One of the difficulties which England encountered in the first eight months of the present war arose from the discontent of the working population caused by the wealthy who refused to forego their luxuries, their pleasures, the niceties of life that are doubly irritating in wartime to those who can't afford them. During the last war, our Government found it necessary to embark on a campaign to limit the consumption of luxury items. Luxury manufacture was not only classified as non-essential, but the market for such articles was sharply curtailed by tremendous pressure against the consumption of such goods.

Thus, distribution witnesses change in incentives and appeals.

Selling which directs its appeal to the desire for mere acquisition or the pleasure of use can become distinctly unpatriotic in a national atmosphere of the type produced by war or intensified national defense. In a period of national crisis, there seem to be better reasons for buying something than merely that you want it, or will enjoy it.

The ingenuity of the advertiser and his professional adviser alike will be tested by the need to sell at a time when style is no longer a major consideration, packaging no longer a striking inducement and the margin of price differentials has been reduced.

13 ★ Profits, savings and taxation

The importance of curtailing consumption. How is purchasing power restrained? What will defense taxes seek to accomplish? Will certain occupations and products suffer particularly? Why must tax, price, priority and monetary policy be coordinated?

What happens to profit?

WE COME now to the least well known but perhaps most drastic effect of modern warfare. And it is at this point that the problem of manufacturing, selling, advertising and distribution runs into the final imperative of defense—the control of profits. In our economic society the prime function of distribution is to step up consumption, to take the squeak out of the pocketbook. But the primary effect of modern warfare is to destroy consumption, to make it, at the very least, undesirable. Even where this is not the immediate effect of war itself, even where it is not the result of a shortage of material or the unavailability of productive facilities, it has become a matter of government policy in warring nations to compel savings which can be drained by the government in order to meet even partially the

vast cost of \$125,000 per soldier killed, the price exacted by modern war. Even more important than raising the money is to syphon off sufficient civilian funds to prevent non-defense buying.

The program to limit consumption is now being pushed to the hilt in England to make the great body of private wealth and income available for government taxation and government borrowing. Such limitation of consumption, it is argued, will have its major value in increasing production for national defense and restraining the trend toward inflationary prices.

Who foots the bill?

To the extent that the attempt is made to pay for today's national defense and tomorrow's possible war out of current income, the effect will fall directly on current consumption. How will the defense program be paid for? What are the prospects for profits and the potential sources for taxation?

Here we face one of the clearest inevitabilities of a defense economy. The certainty doesn't exist in terms of percentage of profit or rates of tax but it does exist in the principles which will guide both of these. These principles because of their simplicity may even sound academic. They are not. This is the program that cannot be escaped:

1. Individual and corporate taxes must be increased to the maximum level that public opinion will accept at the particular moment.

2. Excess profits taxation or taxes on war profits must attempt to syphon off all profits greater than the hypothetical normal peacetime profit.

3. The principle of profit itself must not be destroyed though extreme necessity may reduce it to a minimum. It is interesting in this connection to note that, in the field of government munition contracts, the profits limitations which were imposed by law in the midst of our blissful peace were removed almost at the first sign of emergency. But, while no specific control will exist over profits as such, government borrowing and taxation will effectively eradicate most of the abnormal profits. One type of profit which we have come to know as "profiteering" will, however, be subject to strict punitive government legislation. Profiting on the accumulation of inventories will be coped with by the process of regulating inventories and imposing price controls. Profit derived from speculation in agricultural and raw commodities as well as food will be controlled by strict supervision of speculation as well as price ceilings on the basic materials, foods and services themselves.

4. The most important principle is to finance defense through methods which accomplish the double effect of cutting down consumption and producing money. Intensive voluntary campaigns for government bonds, and finally compulsory loans achieve these objectives. Excise taxes will be especially directed at cutting down consumption of automobiles and similar products which compete with defense for scarce materials and skilled labor. Where the excise tax itself is not a sufficient control for the limitation of consumption or sufficient penalty on the particular product, special occupational taxes will be applied to further embarrass the specific industries.

During the first World War, on top of the regular income tax, special taxes were levied on munitions makers and on corporations that accumulated unreasonable profits. Brokers, pawnbrokers,

Stopping non-defense buying

Principles of defense taxation

Mary Pickford's \$1,000 purchase helped promote World War bond sales

KEYSTONE VIEW



Jobs pay special tax**Arguing in the dark**

customhouse brokers; owners of theaters, concert halls, circuses, bowling alleys, billiard parlors; makers of cigars, cigarettes, and tobacco—all had to pay special occupational taxes.

It is unfortunate that we have not had an equal amount of pre-war energy devoted to planning for an adequate supply of capital as has been spent on planning for an adequate supply of labor, an adequate supply of commodities, and an adequate production of materials. War cannot be fought without men or munitions, but neither can it be fought without money. The World War taught that it is impossible scientifically and without waste to get men and munitions by the use of devices created in the heat of conflict and in an atmosphere of turmoil. But that same war also taught the same lessons concerning taxation. Congress spent six months wrangling over the 1917 war profits tax with no more idea of how much that act would produce, or what the effects would be upon business, than we today have as to how long the present war will last.

As a result of that experience, despite the inadequate defense planning that has been given to the problem of money, it is certain that increased thought will be given to the interrelationship of taxes, prices, profits, materials, and production.

With the exception of our experiments with incentive and social taxation, such as the undistributed profits tax and surtax imposed on unreasonable corporate accumulation of profits, the major peacetime function of taxation is to raise money. In a defense economy it becomes almost a secondary function. Taxation becomes a major lever in discouraging price rises, profits, consumption and non-essential production.

14★ Learning from England's experience

The errors of extemporized activity. What were the English labor problems? Why did the cost of living rise more than 15 per cent in ten months? What was the minimum required in economic mobilization? What was learned from the "muddling through"? England takes drastic action.

WE HAVE examined the interrelated effects of defense on business and industrial activity—on our entire economic front. We can, however, better understand the difficulties we have experienced and those we are certain to encounter by a brief glance at the British and German experiences with economic mobilization.

Because of the political similarities between the two countries, the British experiences in the early stages of her present war with Germany during 1939 and early 1940 provide the best laboratory for an impartial analysis of our present difficulties in industrial mobilization.

By January 1, 1940, the following were the major steps taken by the British Government in its attempt to mobilize the country's economic resources for war:

1. General conscription of manpower.
2. A method of reserving occupationally necessary men from military duty. (In this period this method was not, however, fully operative.)
3. Establishment of price control over essential foods and materials.



HIGHTON

War workers get their mail. We have plans for finding men; getting money is a problem

4. The fixing of rentals.
5. The establishment of food rationing.
6. The establishment of a mechanism for centralized control over vital supplies.
7. Control of transportation, public utilities, and fuel.
8. The establishment of a ministry of supplies, a ministry of food and shipping, and a ministry of economic warfare.
9. The beginnings of priority schedules for the operation of essential industry.
10. Control of the financial markets and of security issues.
11. Control of foreign trade.
12. The mobilization of foreign securities.

Britain's difficulty, however, did not stem from the failure to create many of the controls required by a war economy, but from the absence of a complete over-all centralized policy administered by an executive or executive agency primarily responsible for the industrial problem.

The first of the difficulties which arose was that some of the plants were overloaded with work contracted for by the Government, with a resultant injury to normal customers, many of whom were also suppliers of the Government.

Small plants forgotten

In this direction, the flaw in the British procedure was that full use was not made of the many small establishments which could have been allocated to military production.

The most serious defects in the first eight months of British industrial mobilization were in the closely allied fields of labor, prices and wages. Not until seven months after England entered the war was even the first step taken which would be required in any understanding, any control, of the labor problem—a census of labor. Not until April 2, 1940, was the first effort made to determine what workers were being used for, whether they were skilled, semi-skilled, or unskilled, whether or not there was a shortage or faulty distribution of skilled labor, whether there was a waste in production capacity.

The extent of the labor dislocation can be appreciated from the single fact that 1,500,000 were officially listed as unemployed at that time. This was approximately 270,000 more than the last estimate made in peacetime and 400,000 more unemployed than in February of the last peacetime year, 1939.

At the same time the *Financial News* of London indicated its estimate that at least 50 per cent more workers would be required in the metal trades, 30 per cent in the chemical industry, and 20 per cent in agricultural trades.

Since then, however, the number has decreased so that in March, 1941, the unemployed totalled 458,000, which probably approaches the minimum—a constant group of persons who are virtual unemployables.

Another of the important reasons for early failure of British industrial mobilization was the shortage of certain types of equipment—jigs, gauges, machine tools—certain raw materials—particularly aluminum and specialized types of steel—and the very



J. W. MC MANIGAL

A census of workers classified as to skill proved a need in British defense plans

Unemployment hard to kill

Some still can't help



BRITISH-COMBINE

A garage for British workers' bicycles.
The important thing is to get to the job

How Britain rules prices

Balance wheel essential

serious inability of the aircraft industry to adapt itself to mass production.

The failure to establish an over-all price control of basic commodities resulted in an advance in wholesale prices of approximately 30 per cent with a consequent 15 per cent increase in the cost of living. Among the reasons which contributed to the increase in the cost of living, increased prices and consequent increased wages and labor unrest, was the difficulty with distribution and the reduced efficiency of night shifts operating under blackout conditions. Rising freight charges, delays in the convoy system used for imports as well as exports, the required use of ports which were not adequately equipped, increased insurance rates and so forth, were some of the factors which boosted transport charges. The steps which were taken to exercise control over prices within the first four months of the war were these:

1. The creation of a central price regulation committee by the President of the Board of Trade. During the first six months of the war this group remained comparatively inactive.
2. An act to prevent profiteering, the "Price of Goods Act," was passed by Parliament three months after the outbreak of war, but even at the time of passage it was anticipated that the Act would cover only a small portion of the price field.
3. In the field of agriculture, the Government bought all staple crops as well as livestock products at fixed prices.
4. A number of the essential foodstuffs, including sugar, butter, bacon, ham and meat, were, early in 1940, brought into the rationing process.
5. The various ministries in the British Government were each enabled to exercise certain price regulating functions. In the case of contributory commodities for munitions production, the Government bought the entire bulk of the output of producers—as in the case of copper—at favorable prices in pursuance of the policy of keeping the cost of munitions as close to the pre-war level as possible.

But with all of these uncoordinated approaches, the greater number of prices were permitted to rise. One of the important questions raised by the *Economist* in the face of a continuing increase in prices and wages, with the absence of a program for adequate tax and borrowing coordinated with the price control efforts, was whether the Government could prevent inflation.

Eight months of "muddling"

Both the *Manchester Guardian* on the left and the *Economist* on the right were among those who, with growing concern, criticized the Government for the lack of a coordinated, completely conceived, economic policy. Both respected English publications admitted that individual controls and individual control agencies had been established, but insisted that the defect resulted from the fact that the individual pieces were not assembled into a coordinated pattern.

The important lessons which the British Government learned from the first eight months' attempt to "muddle through" can be summarized briefly as follows:

1. Attempting to plan and coordinate during the crisis is no substi-

tute for advance planning undertaken before the emergency has begun.

2. Advance plans must be based upon the expectation of a maximum effort.

3. It is easier to reduce requirements after a war has started than to increase them.

4. Not only must industry be informed of the part it will be required to play, but it must be given an opportunity to prepare for that part, or valuable months, with victory in the balance, will be lost.

5. Not only must industry be told what it is to produce but frequently how it is to go about meeting these production requirements.

6. Disinterested individuals must be called into the Government service if any acceptable effort is to be made to control the industrial effort.

7. Executives are required rather than advisers, and administrators rather than committees.

8. It is impossible to control one segment of a nation's economic life without concomitant supervision of all other segments with which the first area is joined.

9. One supreme authority, with sufficient power to enforce its decisions, is the basic keystone of any effort to coordinate all agencies, departments and plans.

10. A situation that upsets the balance cannot be adjusted with one-tenth the ease with which it could have been foreseen and prevented in the first place. This applies with equal force to prices, wages, profits, and procedure in policies.

With these lessons learned, England was finally prepared to take the steps necessary for a complete industrial effort.

Democracy bows before war

On May 24, 1940, in 150 minutes, the Houses of Parliament passed a sweeping bill giving to the Cabinet plenary powers beyond any ever exercised in a free democracy.

The Act, by subordinating every individual, rich or poor, every piece of wealth, every available plant and all manpower, raised the Prime Minister to a position of power as high as that of the German Chancellor. The Act, known as the Emergency Powers Defense Bill, was supported by both labor and capital, despite the fact that under it, wealth can be conscripted and labor's hard-won battle for higher wages and better working conditions is put aside for the duration. The Government was empowered to take over all the principal airplane and munitions factories and any other subsidiary industries, the output of which is necessary to keep these important key factories supplied with labor, materials and power.

When necessary, to make possible an adequate supply of planes, arms, ammunition and other implements of war, the Cabinet can order workers to abandon eight-hour shifts and to work 12 hours a day and seven days a week instead of the usual six. Indeed, the Minister of Supply ordered all state ordnance factories and all contractors working on Government munitions to work full-time, seven days a week.

To accomplish the desired adequate production, key industries are being fostered and non-essential industries abandoned.

The Government's new powers vitally affect the individual, as well as labor and capital. This can be seen from the fact that the

England learned the hard way

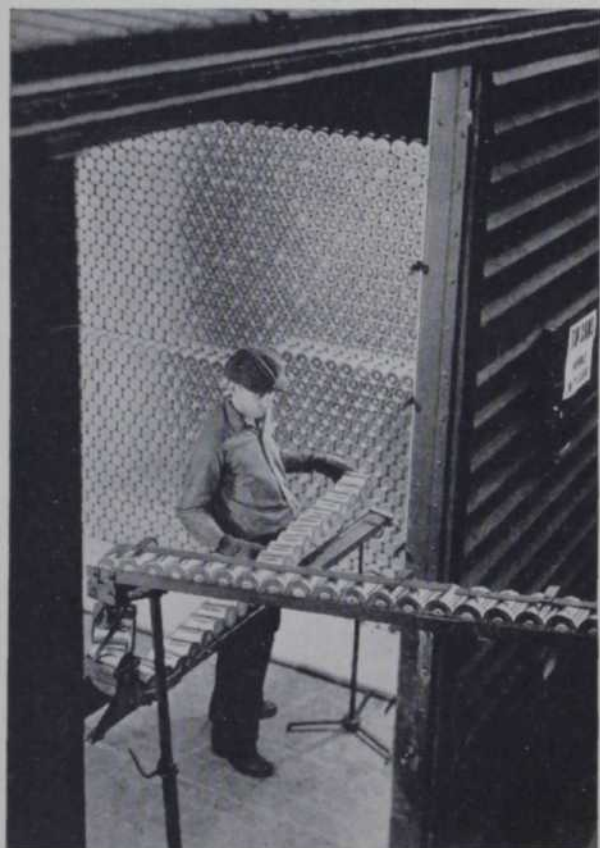
Maybe we learn in time

Unlike this American, the English worker has lost his hard-won rights for duration



Must take free boarders

Losing business can't quit



With us, packaging, especially that which uses war materials, already is changing

War slows production

Government has the right to confiscate all available funds, whether in banks, safety deposit vaults, invested in industry or hoarded. Home owners can be ordered to give lodging to workers without compensation. Mothers can be forced to evacuate their children from dangerous areas. All banks are under Government orders and private fortunes are available for Government use.

One result of the war powers has been to make bullets and guns more important to the individual than butter and milk, and even the latter are subject to Government conscription. All persons can be required to perform whatever services the Government may desire, whether or not they wish to do so. Concerns operating at a loss are no longer free to close up, and businesses must continue to operate at Government command; but, in this case, adequate remuneration will undoubtedly be given. Business and private premises are open to inspection and employers are required to produce their books on demand. Consumption by the individual has, of course, been strictly curtailed. A large variety of articles—from clothing to toilet preparations—were made subject to rationing.

15 ★ Germany—an economy built for war

Was there a peace-time economy before September, 1939? Adapting economic machinery to military strategy. Why does Germany believe that a war economy produces a steady decline of production? When did Germany start its economic preparation?

THE GERMAN process of economic mobilization for this war differs from the English in one major and most vital respect. In Germany there was no pre-war period; that is, there was no transition from peace to war. The Nazi economic system was designed to provide economic and military machinery to operate with the complete effectiveness that the strategy of the high command required.

In England and the United States, the economic structure is geared to the peacetime needs and desires of the people. The beginning of war or the inception of a defense economy requires, not merely a modification in our economic system, but a real change.

In Germany no distinction can be made between the periods before and after the actual outbreak of the war in September, 1939.

It should be added, however, that the Germans do not look upon a war economy as a fixed thing. They believe that their economic strategy must constantly be adapted to the changing military strategy.

Believing that a war economy produces a steady deterioration of the nation's productive ability and efficiency they point to 1914-1918 when all production, even of arms and munitions, dropped. (For example—steel production in the vital Ruhr area diminished by 40 per cent in these four years.) This process, if repeated, they argue, will have the effect on military strategy of increasing demechanization. Theoretically, the moment would come when even cavalry armies like the Russian forces under Budyenny and Voroshilov in 1918-21 would be supreme. It is therefore imperative—according to the German economic strategists—that Germany

avoid a long war. That constitutes the basic economic factor in Germany's war policy.

In Germany the *economic* emergency of 1929-32 gave National Socialism, with its rigid regimentation of capital and labor, its start. This system was easily adaptable to the gradual formation of a war economy after 1934.

To say that Germany's war economy began in 1934, completely without plan, would be gross exaggeration. Never since the first World War and the formation of the old *Reichswehr* have military men in Germany forgotten the importance of economics in war. Even during the unwarlike Weimar republic they were able to exercise considerable influence on economic planning. Since the Rapallo Treaty, and particularly in collaboration with Russia long before the Nazi-Soviet pact of August, 1939, they were able to find inside and outside of Germany testing grounds for their economic and industrial ideas. "Shadow" factories existed not only in Germany and Russia but in harmless neutral territories like Denmark—for example, the Heinkel Seaplane Works near Copenhagen.

During the development of Germany's war economy, particularly in the formative years of 1934-37, the basic principle was not primarily to build up a system of careful war planning but to look upon the German industrial machine as a giant industrial "commodity bank" at which the Armed Forces had unlimited credit.

Unlike the M-Day planning of the United States, which provides for the recognition of both military and civilian needs as well as a return to a normal economy after the war emergency, *the German military minds think only in terms of the need to achieve victory.*

16 ★ Understanding our defense

The position and power of public opinion. Why not buy an army of mercenaries? What are the imperatives of our economic mobilization? Every step leads to another. What are the two final alternatives?

WE HAVE wandered through the labyrinth of the defense economy. We have attempted, in some cases with great detail, to examine the major strands that tie together into the solid bonds of defense—raw materials, labor, fuel, power, transportation, machinery, distribution, money—the elements that united constitute the compound of defense.

In the interrelationship between the elements in this compound are the critical difficulties which our economic mobilization must solve—critical not only because of their complexities but also because they involve human emotions and public opinion. This means that, no matter what legislative or executive authority can be brought into action, public opinion still remains the potent factor it has always been. It must be prepared to expect the adjustments and accept them. Labor must know its responsibilities and its guarantees. Industry must know its profits and its inhibitions. Above these, Government must know that it will receive, with maximum efficiency and speed and at a minimum cost, the machinery of defense.

Since modern war is a struggle between machines—tanks, trac-



MARIO LUCIO SCACHERI FROM NESMET

We have been a wasteful nation. Now scrap piles and scrap prices become important

Emotions are part of war

From broomstick to blitzkrieg

Saving the Constitution

tors, planes, sensitive armament—our preparedness must include more than just buying an army of mercenaries. We know now of the years of secret training of the German youth with broomsticks and gliders in preparation for the modern blitzkrieg. But most people do not know of the constant and continuous orientation of all German industrial enterprises during years of peace for an eventual M-Day.

Our efforts at economic and industrial mobilization are frequently widely and occasionally completely misunderstood. Every conceivable fantasy, hypothesis, and threat has been cloaked with the alleged authority of our plans for economic defense. Some people think that the integration of the forces in our economy in an emergency cannot be accomplished without abolition of the Constitution; that it would result in the hanging of objectors and critics; that it would chain labor to the work bench under a system of national conscription; and that it would commandeer and nationalize all private wealth and profit. But these are not among the imperatives of defense; they are exactly what intelligent industrial mobilization and effectively planned national defense are seeking to avoid. These very specters suggested by sensationalized ignorance can be escaped only if we have proper planning in defense—only if there is a sincere, scientific study by those who know the defense problem and who understand its economic implications.

What we hope to gain

It is to avoid chaos, the courting of defeat and its bed-companion—defeatism—it is to avoid the military or political dictatorship that might arise in the midst of the military emergency, spawned by inefficiency and economic collapse, that a careful and courageous coordination of our economic problems must be made.

Throughout the whole development of the defense program, one fact grows increasingly clear. Every step taken creates the necessity for still another with relentless inevitability. If the Government wants airplanes, aircraft manufacturers must have aluminum and, since there is not enough to go around, civilian industry is cut off. The newly created government demand exerts pressure on prices, and a price ceiling must be placed on secondary aluminum and scrap. Again machine tools are needed for defense production; there is a shortage; there must be price control and priorities.

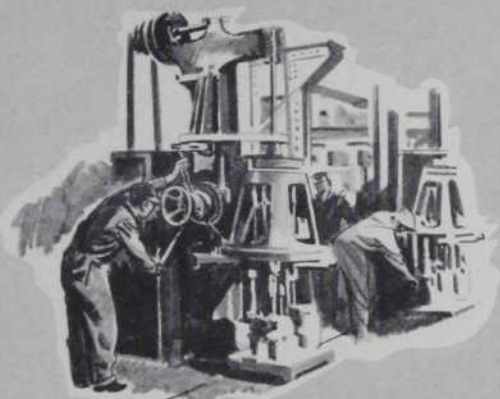
These things are realities in a defense economy, not because any administrator or public official wills that they should be, but because defense itself determines the course to be pursued. The conduct of war or defense is a scientific process of cause and effect. If indeed we seek victory, we have no choice but to adopt the measures which alone can lead to that result. To choose any other course is to accept defeat at the very outset. Faced by the prospect of war, a nation is confronted by only two alternatives: success or failure. There is no third. The effective mobilization of America's resources rests on a recognition of the facts and a willingness to assume the burdens of strict coordination and regulation. These are the imperatives of defense, the rules of life in a defense economy.



U. S. ARMY SIGNAL CORPS

We started like this. So did Germany. If all help, we can do as well as she did

VITAL TO TODAY'S PRODUCTION



MATERIAL CONTROL—Records that control the flow of materials and parts to scheduled rate of production—furnish up-to-the-minute statistics and reports.



LABOR ACCOUNTING—Earnings calculations, wage accruals, payroll records that insure the prompt payment of personnel—provide adequate statistics and reports.



COST RECORDS—Cost-to-date figures—available every day—that provide expense and production controls and statistics for review.



MANAGEMENT FIGURES—Vital figure-facts, statistics and reports that permit quick decisions, quick action.

In every line of business, today's Burroughs machines are furnishing vital records and control figures faster, easier, and at less cost. Find out how Burroughs can help you. Telephone your local Burroughs office today.
BURROUGHS ADDING MACHINE COMPANY • DETROIT, MICHIGAN

Today's Burroughs

DOES THE WORK IN LESS TIME—WITH LESS EFFORT—AT LESS COST

Who Pays the Piper?

By H. G. MOULTON

INFLATION is always part of a war spree. It is the world's "morning after." Some people will feel worse than others after this one. Who? And why? Or can we escape this time?



CHESTER FROM BLACK

War must be financed by plain people. After the tax collector makes his haul, they must reach into their pockets to buy government securities



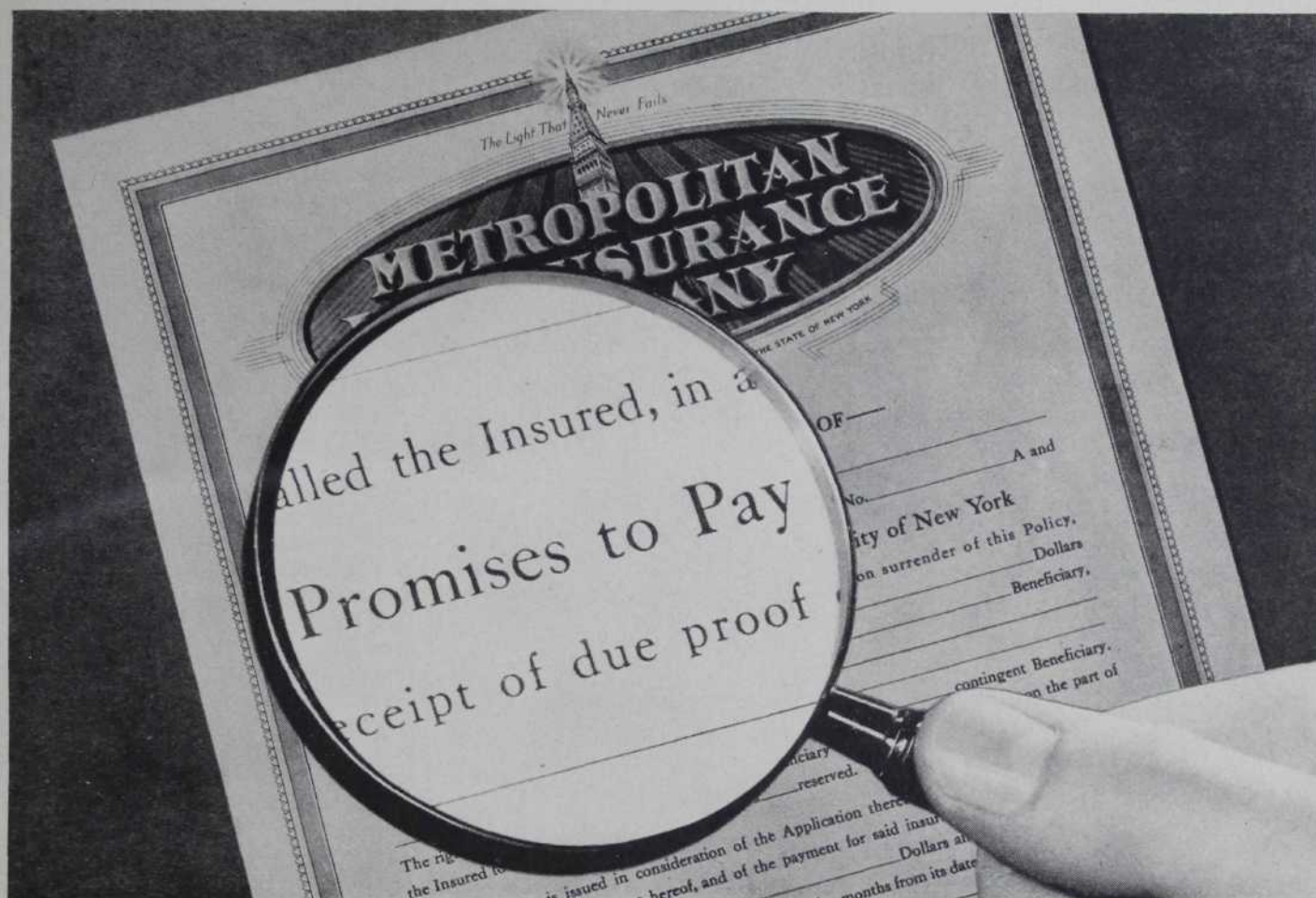
McMANIGAL

Piggy contributes to inflation. A year ago he brought around \$5—today over \$9 a cwt.

THE TERM "inflation" has been clothed with more mystery and has caused more confusion of thought than any other expression in economic and financial literature. The difficulties arise from the fact that, in defining inflation, most writers try at the same time to reveal its cause. For example, one says that "inflation is an increase in the quantity of purchasing power as compared with the quantity of goods produced"—implying of course that the inflation was caused by the increase in purchasing power. Another states that

"inflation is the issuance of irredeemable currency"; and still another puts it, "inflation is currency not backed by real assets."

To clarify the problem, it is necessary to separate in our thinking the phenomenon itself from the causes which produce it. Inflation is simply a rapid or extensive rise in the prices of commodities generally. This fact is the thing with which the public is concerned. The explanation of this advance in prices is a separate story. The causes of an inflationary price movement are not always the



The business that is built on faith

THE LIFE INSURANCE BUSINESS, like all American enterprise, is built upon faith...faith in a business that has kept its promises.

In a life insurance policy, the company promises to pay a certain sum of money to the policyholder or his beneficiary when certain specified events occur. In the case of Metropolitan, the Company has made such promises to about 29,000,000 policyholders who have *faith* in Metropolitan's ability to do what their policies contract to do.

In the 73 years of its existence, Metropolitan has paid every obligation in full when due. In 1940, for example, Metropolitan policyholders and their beneficiaries received almost \$609,000,000 in benefit payments.

Just as Metropolitan policyholders have faith in the Company, so Metropolitan has faith in the strength and stability of American business, agriculture, and industry. To help meet the cost of life insurance, we

invest policyholders' dollars in the promises of responsible people... people who promise to pay Metropolitan certain amounts at stated times.

These investments must be selected with the utmost care. Whether the investment is a government, municipal, or corporate security or a real estate mortgage, it must be backed by real property, such as plants, mills, factories, fertile farm lands, office buildings, modern homes, and other soundly valued assets, or the taxing power of government. In addition these investments must be of such a type that past record of performance, present available resources, and future ability to pay, make it virtually certain that the promises to Metropolitan will be kept.

People buy life insurance to help them fulfill their most sacred obligations to their families, and they want to be as certain as they humanly can be that those obligations *will* be fulfilled. They confidently expect the Company to invest *safely* and *soundly* the money they have entrusted to it.

In order to merit this confidence, Metropolitan must and does make *safety* its *first* requirement in all its investments.

Second, and *always* second, to safety, is the effort to earn the best possible rate of interest to help meet the cost of your life insurance.

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—METROPOLITAN LIFE INSURANCE CO.

This is Number 39 in a series of advertisements designed to give the public a clearer understanding of how a life insurance company operates. Copies of preceding advertisements in this series will be mailed upon request.

Metropolitan Life Insurance Company (A MUTUAL COMPANY)

Frederick H. Ecker,
CHAIRMAN OF THE BOARD

Leroy A. Lincoln,
PRESIDENT

1 MADISON AVENUE, NEW YORK, N. Y.





"The vast loans to farmers with which to buy land during the World War contributed little to farm output, but boosted land prices"

same; indeed a price rise may be the result of a combination of factors rather than a single cause. Hence the forces responsible for any particular price inflation require independent analysis.

During the World War, a number of factors combined to produce the phenomenal rise in prices which occurred:

Prices were bid up

FIRST, European Governments, and also various departments of our own Government, competed frantically against one another in American markets for scarce munitions and supplies. As a result, the prices of such commodities were bid up far beyond what would have been necessary under a system of coordinated purchasing.

Second, there was extensive speculation in commodities. Professional speculators, business enterprises and household buyers placed exceptionally large orders with the hope of buying before inflation began. The increased demands as compared with available supplies promoted price advances.

Third, wage costs during the World War increased greatly in many lines

of industry. The increases in wage rates were due in part to keen competition among business men for scarce types of labor in war industries and in part to general wage adjustments obtained by means of union demands or awarded by wage adjustment boards. Overtime rates of pay, especially in war industries, were another important source of increasing wage costs.

Fourth, the Treasury financed the World War in substantial part by means of bank credit expansion. Great quantities of bonds were sold to the banks direct and, at the same time, the public was urged to "borrow and buy"—that is, borrow the funds required from the banks rather than pay for them out of current savings. At the same time, taxes were not increased at anything like the rate that was possible. This method of financing the war increased money purchasing power in the hands of the Government, without correspondingly restricting purchasing power in the hands of the public. The result was competitive bidding for limited supplies of commodities.

Fifth, bank credit was too liberally extended to business men, farmers and speculators. As soon as the supply of

labor and raw materials became scarce, additional loans to business men merely served to bid up the prices of labor and materials—without increasing output. The vast loans made to farmers—and townspeople—with which to buy land contributed little to agricultural output but helped to boost farm land prices to levels which could not possibly be maintained after the war was over.

These several price-disturbing factors shortly tended to reinforce one another. Through their interacting effects they brought about what is known as the "vicious spiral" of rising prices, rising costs, rising prices—and again rising costs.

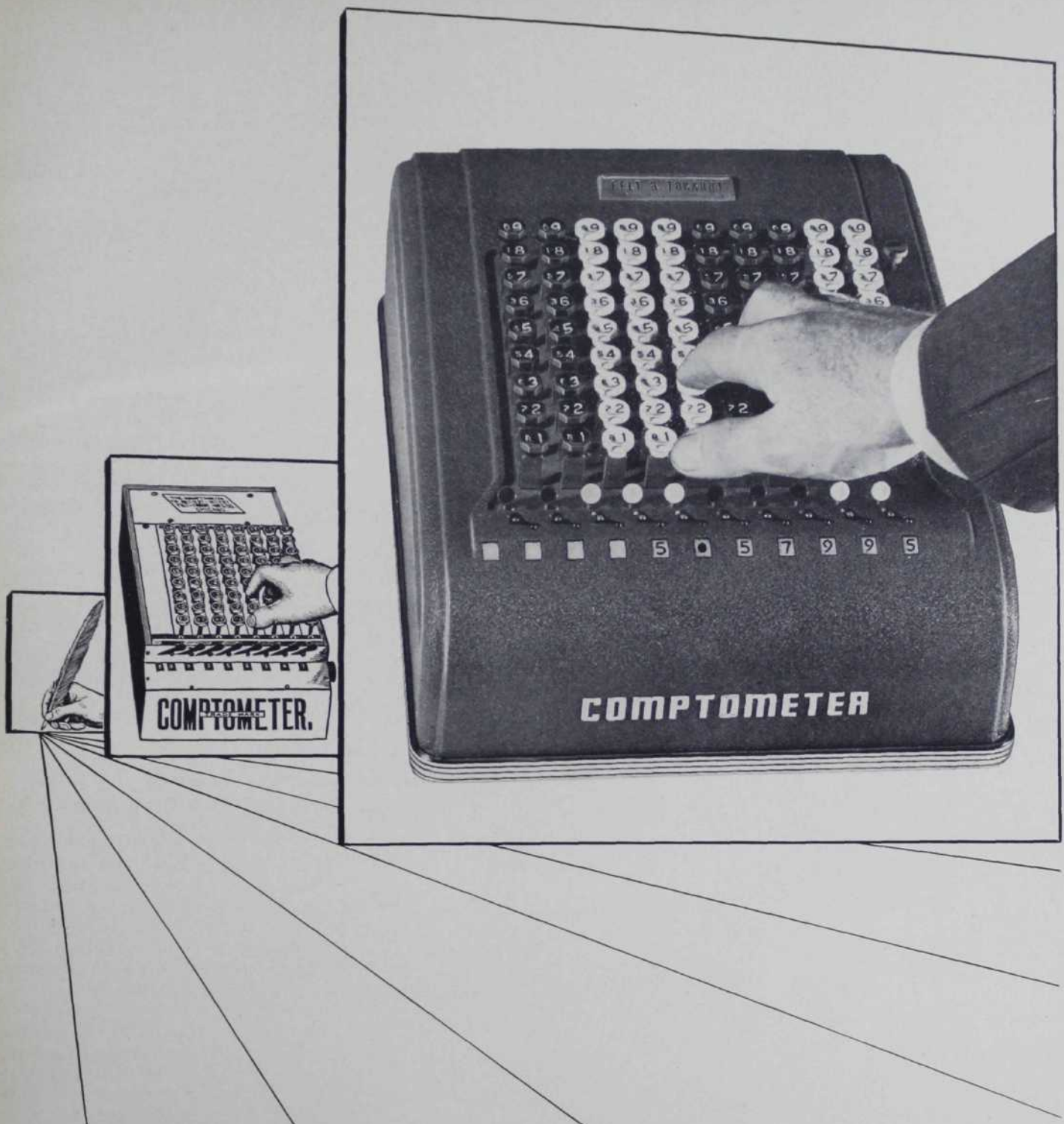
Some of the inflationary factors which operated during the World War are not present in anything like the same degree now. Coordinated control of purchases has largely—although not wholly—replaced frantic competitive bidding by Governments and government agencies. Moreover price control machinery has been established early in the emergency rather than late in the day—after the "vicious spiral" is already in full swing. The application of the priority principle conserves scarce war materials by restricting the amounts that non-war purchasers are permitted to buy. This process eliminates some of the potential demand and thus helps to keep prices stable.

Some prices may remain stable

THE large surpluses of many types of basic raw materials, both agricultural and mineral, are also a great safety factor. In many cases the volume of such materials could be readily increased. We are still deliberately restricting output of such important products as foodstuffs, cotton, coal, and petroleum.

The significance of these surpluses of basic raw materials and foodstuffs from the standpoint of general price control cannot well be overestimated. If the prices of raw materials which enter into manufacturing can be held stable, one of the most important elements in manufacturing costs remains under control. Stable prices of food are equally important, though the effect is manifested indirectly. Since food is a primary factor in the cost of living of the masses of the people, rising food prices present a cogent reason for compensating increases in wage rates. Then, as soon as wage rates are increased over a wide range of industries, we have a universal factor operating from the cost side to push prices up.

Many regard the present easy bank credit situation as a dangerous inflationary factor. The nation's extraordinary gold supply, the enormous ex-



PROGRESS AND PROFITS

There's more to the caption of this advertisement than mere alliteration.

There's the fact that, in almost every instance, those business and industrial concerns which are quickest to recognize progressive change, and adapt themselves to it, are the concerns

which consistently show the highest profits.

There's the fact that yesterday's production methods are almost as obsolete as yesterday's military tactics. And that goes for figure-work production methods—where progress has been less spectacular but no less real.

Comptometer methods are an integral part of "Comptometer

Economy" in the handling of vital figure work. They are as modern as the new Model M Cushioned-Touch Comptometer. Together, methods and machine handle *more figure work in less time at lower cost.*

• • •

Felt & Tarrant Manufacturing Company, 1712 North Paulina St., Chicago, Illinois.

cess bank reserves, and the unprecedentedly low rates of interest naturally suggest a great expansion of credit through private channels—for speculative as well as productive purposes. There is, however, a powerful restraining influence in this situation. The uncertainties in both the national and the world outlook, make for great caution—as is evident from the fact that, although high grade stocks are now yielding exceptional rates, many investors prefer to hold funds in the form of idle cash. Not until the whole general economic outlook is materially improved, is there any great likelihood of a general expansion of private credit.

What is to be said with respect to fiscal policies in relation to the inflation problem? While there is still some uncertainty as to taxation and loan policies, there are nevertheless good grounds for believing that our methods of financing the war will be much less inflationary in character than were those of the World War period. Both Federal Reserve and Treasury officials have shown a clear appreciation of the importance of financing the war from taxation and from the sale of securities paid for out of real savings. To what extent this goal will be realized remains of course to be seen. Recent Congressional and treasury discussions unfortunately still indicate an unwillingness to broaden the tax base.

The principal factor that is promot-

ing inflation at present is increasing wages. Since the beginning of the defense program a year ago, wage rates have been moving upward. In January, 1941, the average weekly earnings in 25 leading manufacturing industries were 13 per cent higher than in 1939. The increase in wage rates was much greater than the increase in the cost of living which in the same period rose less than five per cent. During this period it was unnecessary, generally speaking, to increase prices to prevent a reduction of profits—because, with an expanding volume of production, unit costs were falling.

Higher wages mean higher prices

IN the past two months wage rates have increased—most increases amounting to roughly ten per cent. These have exerted a powerful pressure for advances in prices to cover the increased costs. It may still be possible in some industries to meet the additional costs out of increased volume, or from profits. But, in many cases, advances in prices have become necessary. For example, in the amalgamated clothing trades an increase of from ten to 13 per cent in wage rates, together with some advances in wool costs, will, according to announcements, increase the price

of readymade suits next autumn from \$2 to \$5—or ten to 15 per cent.

In the case of coal, it has been agreed that the operators should be permitted to raise prices sufficiently to cover the substantial wage increase that has been granted. In the case of steel, no general increase has been permitted for the current quarter, but concessions have been made for some of the high cost producers.

Overtime rates of pay which have been adopted as a matter of national policy also contribute to increasing costs. As the supply of available skilled labor grows less, it will become increasingly necessary to increase the length of the working week in war lines of production. Where a 48-hour week is installed, the workers are paid for 52 hours—which is equivalent to an increase of eight per cent in wage costs.

When important companies or whole industries increase wages, it becomes virtually necessary for other companies and other industries to follow suit. Thus a veritable epidemic of increases quickly develops. The record will undoubtedly show that, between April, 1941, and say September or October, wage rates will have increased roughly ten per cent over the larger

(Continued on page 109)

Higher wage rates are due to keen competition for skilled labor and to union demand. Increased wage rates encourage price advances



CUSHING

CHEVROLET TRUCKS

WITH "LOAD-MASTER" ENGINE



THE GREATEST POWER-PULLERS in Economical Transportation

Truck operators, large and small, buy more Chevrolet trucks than any other make, year after year!

Small wonder that truck operators are purchasing more Chevrolet trucks than any other make—*again this year!*

For these big, sturdy Chevrolets with "Load-Master" Valve-in-Head Engine have *more pulling power* than any other trucks in their field! They're "tops" for total dependability! They're engineered to haul big loads with the speed that's needed in these fast-moving days . . . priced to cost you *less money* than any other trucks in the biggest-selling low-price field!

And so truck operators in all parts of the country have decided that Chevrolets are first choice for "DELIVERIES P. D. Q."—powerfully, dependably, quickly—and are preferring them to all others.

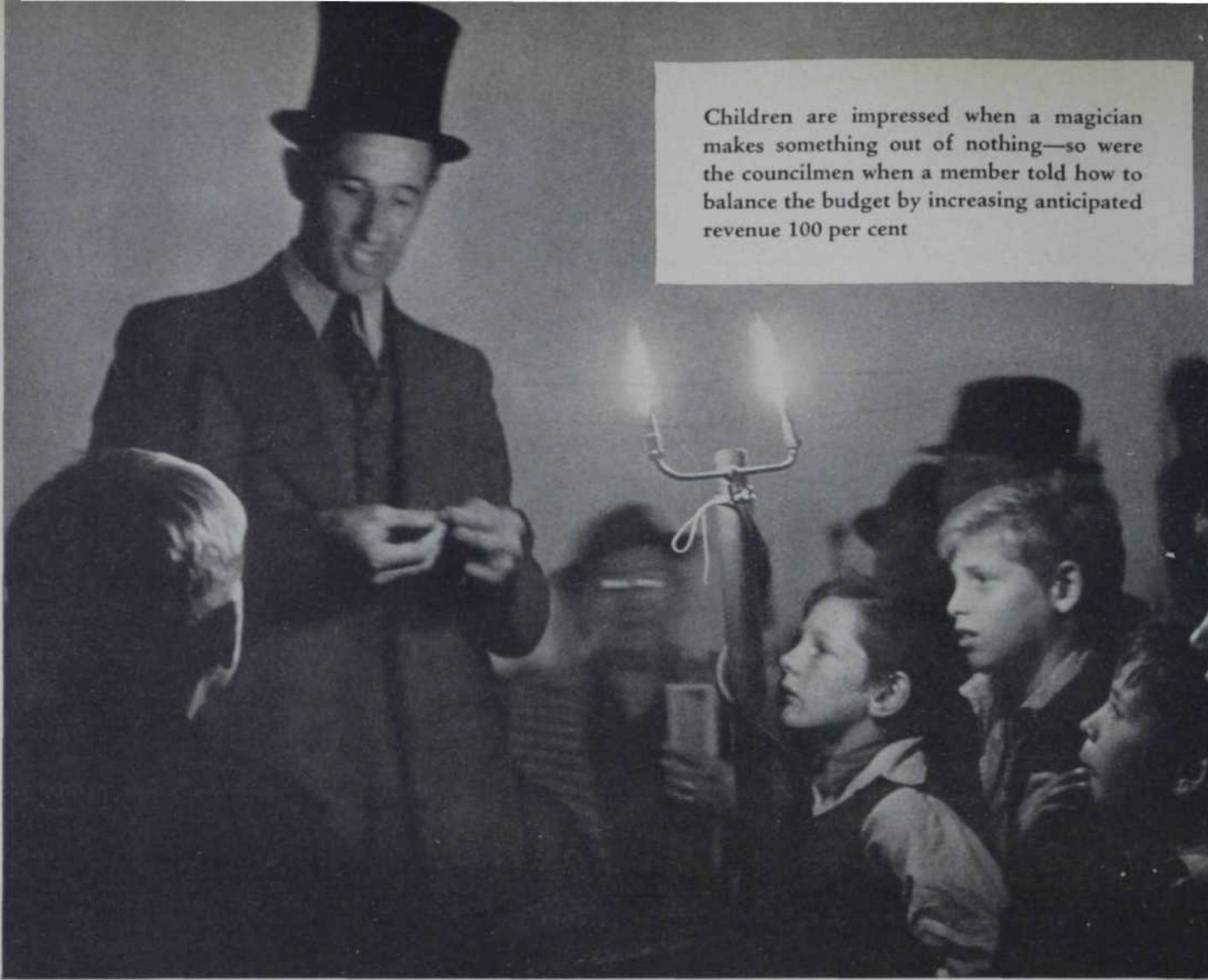
If you have a haulage problem—and want to solve it efficiently and economically—follow this nationwide swing to Chevrolet trucks. Phone or visit your nearest Chevrolet dealer for a demonstration—*today!*

CHEVROLET MOTOR DIVISION, General Motors Sales Corporation, DETROIT, MICHIGAN

**TRUCKS WITH PASSENGER
CAR STEERING EASE BY
THE WORLD'S LEADING
TRUCK BUILDER**

★ TWO NEW VALVE-IN-HEAD ENGINES . . . STANDARD: 174 FOOT-POUNDS OF TORQUE—90 HORSEPOWER . . . "LOAD-MASTER": 192 FOOT-POUNDS OF TORQUE—93 HORSEPOWER (optional on Heavy Duty models at extra cost)
★ NEW RECIRCULATING BALL-BEARING STEERING GEAR ★ NEW, MORE COMFORTABLE DRIVER'S COMPARTMENT ★ 60 MODELS—NINE WHEELBASES

**"THRIFT-CARRIERS
FOR THE NATION"**



Children are impressed when a magician makes something out of nothing—so were the councilmen when a member told how to balance the budget by increasing anticipated revenue 100 per cent

"Dead Beat" Cities Can Reform

By C. A. CROSSER

THERE are some "dead beat" cities as there are "dead beat" families. Yours may be one even though you and your fellow taxpayers don't know it.

In recent years, some such cities, under the compulsion and inspiration of clear-minded officials and citizens, have been pulled out of the dead beat class by adopting sound budget procedures.

Many cities—perhaps your own—spend more for operating purposes than they collect in revenues. Then they borrow money to pay off these deficits with large "dead horse" bond issues. Many cities are still paying, through bond issues, not only the salaries of long-dead policemen with high helmets who stopped runaway horses at the turn of the century, but another 100 per cent of the loan in interest

DOES YOUR city need a miracle to keep it out of bankruptcy? Citizens here performed the miracle by clamping down on the spenders

charges. Yet few of their citizens know about these deficits because their city administrations cover them up with fancy accounting terms such as "liquidating unfunded obligations."

The number of "dead beat" cities cannot be given because of incomplete information. But the annual U. S. Census Bureau reports on the finances of cities give some clues. Seventy-two cities out of 94 with more than 100,000 population now have outstanding "dead

horse" bonded debts to pay off past or recent operating deficits. Sixty cities in this population group had sizable floating debts, not including funded bond issues, at the close of 1937. However, Census Bureau officials say that not all of these are guilty of frenzied financing because, in some cases, the debts do not involve operating deficits. A substantial number of smaller cities are in the same leaky financial boat.

On the credit side, Carl H. Chatters, executive director of the Municipal Finance Officers' Association, says that, in general, cities in California, New Jersey, Texas and Kansas have been put on a live-within-their-income basis by their state laws. The Springfield, Mass., Taxpayers' Association recently stated that theirs is the first city of

"*Defense today*

means more than merely fighting. It means morale, civilian as well as military; it means using every available resource; it means enlarging every useful plant."

PRESIDENT FRANKLIN D. ROOSEVELT

In his radio address, May 27, 1941

A national emergency exists and the President has called upon the people of the Nation for unstinted action to make this country safe against any and all attack.

How will we, individually, respond?

True to our cherished traditions, we will write a new and brilliant page in history. Faithful to our forebears, we will drive forward swiftly our vast Defense projects to meet successfully the challenge of today.

Every citizen of the Nation, man or woman, regardless of race or creed, should

assume his or her full share of responsibility for our Defense effort.

Production for Defense has full right of way, not only in every shop, plant and factory, but in every field of supply and service.

To speed production—red tape should be cut—hand hours and brain hours should be conserved—"good enough" methods should be replaced by better ways of getting things done.

Time is the essence of our safety.

ADDRESSOGRAPH-MULTIGRAPH CORPORATION • Cleveland, Ohio



more than 100,000 in that state to go on a strict pay-as-you-go basis. Among others in this virtuous, deficitless category are Denver, Louisville, Oklahoma City, Ft. Wayne, Indianapolis, Des Moines and Duluth.

The U. S. Census report for 1937 discloses that the following cities had no floating debts of any kind at the end of that year nor are they paying off any "dead horse" bond issues for old deficits: Los Angeles, St. Louis, Washington, D. C., Oakland, San Diego, Spokane, Wilmington, and Evansville, Ind.

Unlike a dead beat family, a dead beat city can nearly always wipe out its financial iniquities by putting an additional squeeze on its taxpayers.

Any alert citizens' group from the chamber of commerce or taxpayers' league can easily find out if the home town is operating on an unbalanced budget by visiting the city auditor and studying the city's annual financial report. If such a report is not available—watch out! Some city administrations are no more eager to enlighten their public about their red figure and blue sky financing than the Flimflam Gold Mining Company.

A test for dead beats

HERE is a simple acid test to apply to your city's finances:

Add the different normal yearly operating expenditures, but not including capital outlays. Then add the normal receipts from taxes, licenses, fees and other sources. If the former is larger than the latter, probably your city has a malignant financial growth which requires attention.

Suppose we trace the events that delivered Des Moines, Ia.—a city of 160,000 population—from the dismal swamp of annual deficits totalling about \$800,000 for eight straight years, 1932 to 1939, to the solid shore of financial solvency.

It demonstrates how citizens can yank any deficit-plagued city out of the dead beat class.

Back in 1934, the secretary of the Bureau of Municipal Research, a taxpayers' league, asked the commissioner of finance, a genial electrician by trade:

"How did the city wind up last year with respect to its finances?"

"We did just fine," replied the expert in kilowatts but not in balance sheets. "Look at our annual report. You see there a balance of \$546,000 at the end of the year."

This statement, reported in the local press, gave those readers who didn't skip the "statistics" the impression that the city's finances were sound.

The hidden truth was that the annual city report was as dishonest as the statement of a gold-brick concern. It had been so for many years. The

officials did not deliberately falsify the record. Not being skilled accountants, they simply didn't know any better.

The reported \$546,000 balance included nearly \$400,000 in trust funds and unspent balances from bond issues. Not a penny of it could have been applied on the unpaid bills of \$323,000 outstanding at the end of the year. The real story was that the city finished the year with a debt of \$244,000 it couldn't pay.

It may be said to his credit, that the city's financial officer willingly adopted a suggestion that the monthly and yearly financial statement be revised to segregate the operating from the bond and trust funds and that the net, unencumbered cash balance in each fund be shown as a part of the report. This new City of Des Moines financial statement has earned the commenda-

tion of Dun and Bradstreet's as one of the best in the country.

So, the first step in a city's financial rehabilitation is to prepare and publish periodically an honest and clear fiscal report. Does your city have one?

The next milestone on the road to fiscal reform in Des Moines was a thumping spanking which the Iowa Supreme Court gave the city administration in 1936.

Citizens must show an interest

HERE is one of the best things that can happen to a city whose officers are careless with public funds. A citizens' group should employ a first-rate lawyer and start legal proceedings. A stern court decision, even though nobody goes to jail, will inspire public officials

(Continued on page 108)



Most unpleasant task to 12-year-old boys is washing dishes. They will find it equally unpleasant to cut budgets when they become men—no one ever wants his allowance pinched back

The salt that lured the bison...

is today one of the **MANY RESOURCES**
making **The Chessie Corridor**
INDUSTRY'S NEXT GREAT EXPANSION AREA



OVER THE RICH LAND of *The Chessie Corridor*, the thunder of wild hoofs is gone... replaced by the whirring wheels of growing industries—industries that find here a wealth of raw materials, low-cost power, dependable workers, attractive sites with ample water for every industrial purpose... all close to their greatest markets! That's why industrial expansion is going on throughout *The Corridor*. Scores

of diverse industries prosper here, economically producing and marketing textiles, paper, iron and steel, chemical products, furniture, ceramics, machinery, glass, leather, tobacco products and many others.

The advantages that influenced so many executives to locate and expand in *The Chessie Corridor* may be the very ones most important to *your* business. If your company's future rests on your initiative and judgment, you should find out what *The Chessie Corridor* offers you. Here is what you need—

"Will a cute little kitten be the symbol for Industry's next great expansion area?"



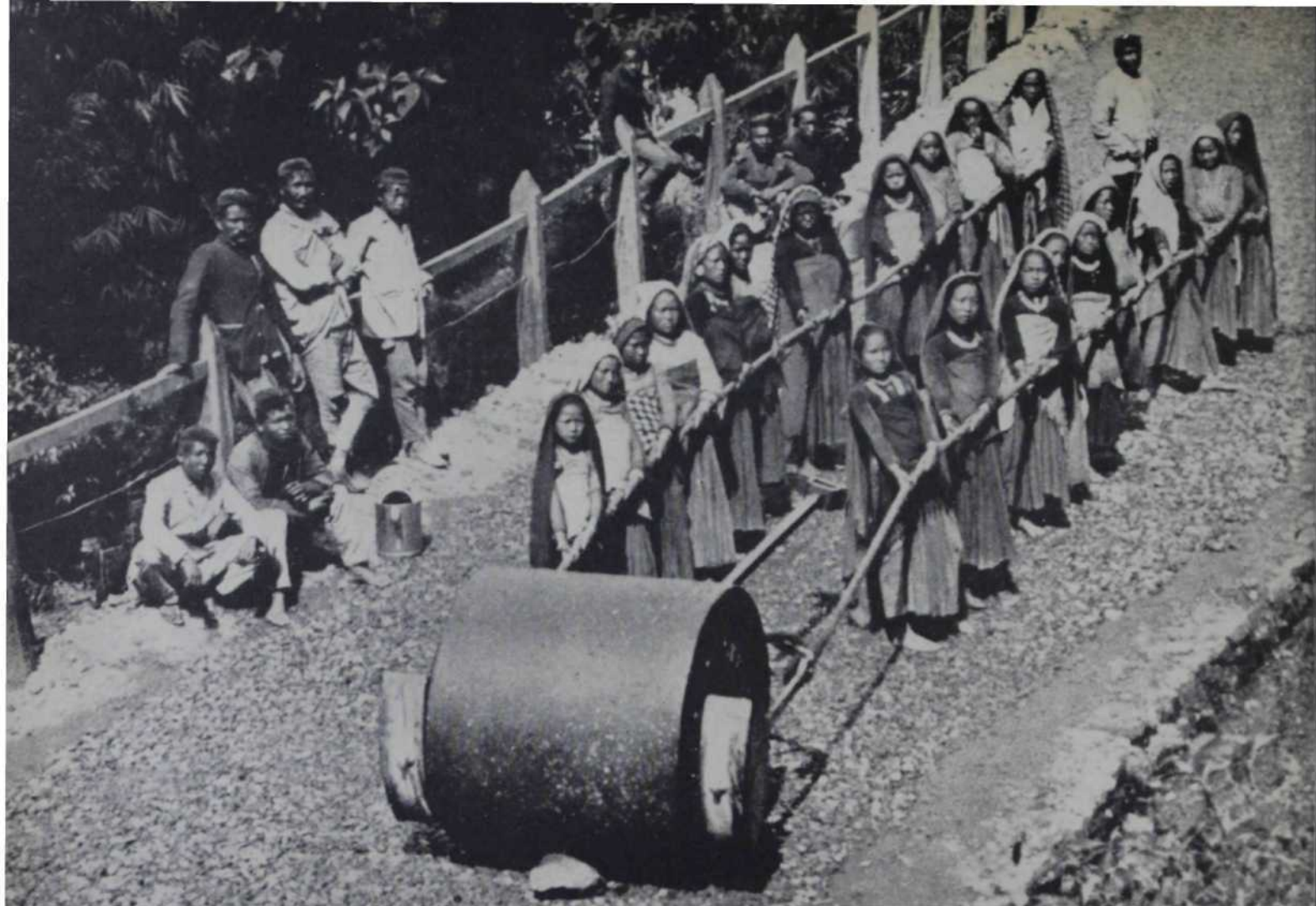
THE COMPLETE STORY—in

"quick facts" form. Information on this important area is now organized and available in a new 56-page book you'll be proud to have in your library—"The Chessie Corridor—Industry's Next Great Expansion Area."

This beautiful book is a graphic and impartial survey of the resources, conditions and opportunities which beckon industry to *The Corridor*. Copies will be mailed to business executives requesting them from INDUSTRIAL DEVELOPMENT SERVICE, Chesapeake and Ohio Lines, Huntington, W.Va.



THE CHESSIE CORRIDOR ★ Served by **CHESAPEAKE** and **OHIO LINES**



GENDREAU

"those who are to be lifted up . . ."

New Burdens for Young Shoulders

ASSISTANT Secretary of State A. A. Berle Jr., told 750 graduating students of Catholic University that "the great prospect of youth in this nation today is to shoulder vastly increased burdens." Among these "burdens," he said, are that "we shall have to feed and clothe and house great areas of the world. We shall have to supply technical skill for those areas. . . . We shall have to recognize that we are a greatly favored area and a greatly fortunate people."

Earlier, in an address, "Wave of the Future," he said: "A considerable part of our task must be the sharing of resources so that they are available on equitable terms to the peoples of the three Americas," that "no one on the Western Hemisphere seriously believes that there ought to be any permanent difference between the well-being of one country and that of any other. The situation can be healthy only if the economic and political institutions are so arranged that they serve everyone."

Such promises, along with those of labor leader Bevin, socialist leader G. H. B. Coles, Anthony Eden and lecturer Laski, are the subject of concern by thoughtful American business men. One of them recalled that Woodrow Wilson could not, by any range of imagination, be dubbed an isolationist, yet he pointed out the great disparities between peoples of the earth—religion, tradition, climate, accepted ways of life—saying:

There are, unhappily, some indications that we have ourselves

yet to learn the things we would teach. . . . No people can form a community or be wisely subjected to common forms of government who are diverse and heterogeneous. . . . They are in no wise knit together. . . . If there is difficulty in our own government here at home because the several sections of our own country are disparate and at different stages of development, what shall we expect, and what patience shall we not demand of ourselves, with regard to our belated wards beyond the Pacific? We have here among ourselves hardly sufficient equality of social and economic conditions to breed full community of feeling.

The wheel turns. Ten years ago the country turned against an administration and threw it out at the polls. One of its policies had been to lend our money to "backward nations" so that they might in time become better customers for the products, etc. Voters put in power an administration which exhausted the vials of scorn and ridicule over such a policy. Congressional investigations, examining those loans, their wisdom, their ultimate effect, furnished a Roman holiday. Investment bankers were scourged for "lending the widow's mite to bankrupt South American countries."

Today, we lend government money to balance the budgets of insolvent nations. We crave to take up the white man's burden everywhere.

Our social and economic problems at home suggest that two parties must be ready—those who are to be lifted up must have the inclination and capacity to get up, and those who do the lifting must have certain footing.

The Desperate Quest of Ways and Means

THE FLAMING PEN of Thomas Paine did much to prepare America for its independence in 1776, whose natal day we celebrate this month. Independence, to him, meant not only freedom from despotic restraints, but also freedom from a taxation which would inevitably bring those restraints upon independence of action. As to war he wrote:

"War involves in its program such a train of unforeseen and un-supposed circumstances that no human wisdom can calculate the end. It has but one thing certain and that is to increase taxes."

Washington today, facing emergency circumstances, is not philosophizing about causes; its main thought is "where to get the money now."

Federal Reserve Chief Marriner Eccles would get it entirely out of taxation and savings.

Currently, it is proposed to reduce personal exemption, load heavy taxes on corporations, the "chief beneficiaries of defense expenditures," borrow from savers through sale of bonds, regulate installment selling, have consumers defer major purchases as a post-defense cushion, and at the same time continue agricultural benefits and social gains.

Ellsworth Alvord, former Treasury adviser, and Lovell Parker, former consultant to the Senate Finance Committee, have other ideas.

Defense production, yes, plenty of it, but—. Non-

defense production, too, in order to maintain structure of peace-time economy, sorely to be needed when demobilization comes.

Expanded output of all goods and services would lift national income, swell national wealth, halt rise in the cost of living, maintain living standards by natural price controls of non-defense articles, assure continuity of peace-time industries to post-emergency period.

We might even reduce the government's non-defense spending by two billions, thinks Mr. Alvord.

The greatest benefits of the Alvord program would be to prevent the gradual liquidation of the middle class, an inevitable companion to long-range social distortions. "The rates proposed by the Treasury would raise havoc with those persons with definite and fixed commitments which they cannot adjust to meet such drastic burdens. This includes everyone from \$2,000 to \$20,000 income.

"Furthermore, what happens to this group if the cost of living increases 50 per cent within the next two years? They will be squeezed most seriously—fixed incomes; tripled tax liabilities; increased living costs! A revenue measure such as that suggested by the Treasury would be the greatest leveller we have ever seen."

The pride and strength of America has been that great group of patient, hard-working, thrifty in-betweeners. They always and inevitably pay the lion's share of the price of war and preparation for war.

"... will be squeezed most seriously"

BLACK STAR







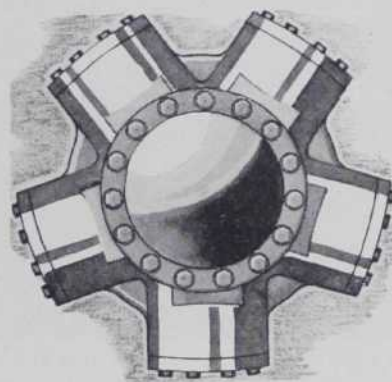
Cool, Clean, Dry Air Pays Big Summer Dividends

SUMMER cooling has become a "must" in most retail establishments. Customers now demand comfort when they spend. No wonder patronage follows the "air conditioned" sign. Customers know odors and outside noises are eliminated—merchandise is fresher—employees attractive and alert—displays better lighted—humidity controlled! They stay longer, buy more, come back oftener!

Yes, cool, clean, dry air pays big summer dividends—lifts sales

and profits—builds good will and prestige. In fact, summer cooling pays for itself!

Chrysler Airtemp 3 and 5 h. p. Packaged Cooling Units are compact, handsome, quiet and efficient. There's an Airtemp air-conditioning unit for every business need. Don't wait—install Airtemp air conditioning at once—the low cost—with F.H.A. payments, as little as \$25.00 per month—will surprise you! Mail the coupon now!



You get more refrigeration for less money with the exclusive Chrysler Airtemp radial compressor. Hermetically-sealed in a bath of oil—it is trouble-free, quiet, dependable as a sealed domestic refrigerator. A tribute to world-famed Chrysler Airtemp engineering—it's the secret of Airtemp air-conditioning efficiency.

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State _____

the war. The funny thing is that, from a practical point of view, both are right.

A Peer into the Future

THOSE who are in a position to see something of what may happen say that higher prices and higher wages are inevitable. They foresee shortages in many of the commonplaces of daily life, not to speak of the heavy stuffs which go into the defense program. Milk prices are rising because labor is being drawn from many farms into better paid jobs in the cities. Eggs are on the way up because the Army wants eggs for the morning skillet as well as dried eggs for pound-cakes and flapjacks. The cut in auto production will be 50 per cent. Watch it.

Story of the Dried Eggs

WHEN Army went out to buy its dried eggs it found the prices rising straight up.

"We are buying eggs for Britain," said the Agriculture Department, rather haughtily. "And will you back up?"

Army did not back, but cooperation saved \$100,000 on the purchase. Donald Nelson has been the military food buyer, and may be promoted to be czar of the whole food buying firmament. It is evident that some control must be exerted or food prices will go out of bounds. Britain's needs are so desperate that, unless a lookout is in the chair, her buyers might send some food prices out of American reach.

Communists May Split C.I.O.

LABOR observers think that the Communist-blamed strikes in defense industries will split the C.I.O. wide open unless Philip Murray and John L. Lewis get together and chunk the Communists back into the gutter. Lewis has had their support, but the observers think he is too smart to stand by them now. Murray's friends say he is both frightened and furious at the revelations of Communist domination in C.I.O. unions.

Coordinates Do Not Click

INSTALLMENT buying will be frowned on. The purchase of new things except to replace wornout things is being deprecated. Iceboxes, for instance, take quantities of aluminum. So—this is soundly humorous—the R.E.A. is promoting a campaign to sell 25,000 iceboxes on the installment plan.

Part of the New Order

IT is highly improbable but entirely possible that man movements into overcrowded areas will be restricted. Passports, *laissez-passers*, *cartes d'identité*? No. But a definite attempt at guidance of workers away from overfilled areas and into regions where they are needed. The bill permitting Government seizure of private property will be amended to protect against injustices. Government, for instance, will not be permitted to buy a factory from Abner and sell it to Arthur. This would have been possible under the first draft, which, oddly enough, was drawn by Under-secretary of War Robert Patterson, still hot from his seat on the bench. It is unlikely that any law will permit the Government to snatch a brass bed-maker out of St. Louis and set him down in Rome, N. Y., although the idea has been played with. Still, we might recall the centurion in the Bible:

"Go thou," he ordered. And they went

May Be No Shooting War

SOME of the calmest observers in Washington do not believe there will be a shooting war. This is a profoundly unpopular position to take in Washington, where the men who swing the heaviest lead argue that (A) we are in the war, (F) we can't keep out of it and (C) that our only hope is to get in. The calm observers here quoted are not a "group." They are scattered through the departments and Congress. Their information is more or less at first hand. Many of them are career men, who see 'em come and watch 'em go. They think the President is determined to aid Britain even at the risk of war, but that he will go slowly until he is certain of full public support.

Lowdown on Germany

THESE men do not believe Germany will declare war on the United States.

"Germany is not ready militarily to do any such thing," they say. "No doubt Germany does not like us, would put axle grease in our pudding whenever she can, will skin us commercially in South America, and be a nuisance generally. But she is not yet ready to go to war with us if she can keep out. Her army staff has overruled Hitler more than once and will again if need be."

Under the axis pact Japan must join Germany if we declare war first.

No War in the East

THEIR information is that Japan does not want to fight. The recently published book by Capt. W. D. Puleston—"The Armed Forces of the Pacific"—is almost required reading in government circles. He studied the eastern question right under the gun for 20 years and his conclusion that Japan does not want war is supported by State and Navy Department information. They think the Panay incident was educative for both sides. The country might have been flashed into a war for which it was unprepared, but Secretary Hull was suave, tough and Tennesseean. He met Japan with a welcoming tincup of white mule but every one knew the old army gun was hanging over the front door. They say both sides learned something important by the Panay sinking. They hope it will be remembered in future incidents.

What's Coming at Home

THEY think that a good deal of the screaming has died down and that the noises you hear are those of lathes and power presses. They say that, during the first months, industrialists were handicapped by the inescapable confusion at Washington. A big machine was being built and the 38,000 new employees in the defense organization were lively, full of half-cooked thought, and eager to make good with the new bosses. Operations suggested a wind tunnel with an automatic reverse. Wayne Coy's Office of Emergency Management is knocking the team into form. He is tough, fast and imperative without being noisy.

Scantling for a Price Ceiling

THE Department of Commerce has already reported increases in 30-odd items. Tin cans will be hard to get and plastic or glass substitutes are coming. At the outset that means more cost. Corks are scarce because the British have refused to permit the exportation of corks by Spain and Africa lest the money get



One of a series illustrating Cyanamid's many activities.

Put yourself in a Woman's Shoes

Just because a girl is only six doesn't mean she lacks an eye for style. On the contrary, she'd much rather wear mother's new shoes than her own. And no wonder. It is easy to understand why women find these beautiful pastel colors irresistible.

There's a real style story in these colored leathers. Not until recently has it been possible to obtain such delicately tinted permanent shades—and women everywhere are delighted with them. So much so, in fact, that new fashions have been created. Handbags, belts, hats, gloves,—even luggage, upholstery, and, of course, other articles in which *nothing* takes the place of leather—are now appearing in pastel colors to match, blend or contrast.

Chemistry is the inspiration for these fashions. For the chemist, collaborating with the tanner, has created several new synthetic tanning materials. As a result, leather is not only blossoming out in new colors but is better in quality.

Typical of these materials is a special series of tanning chemicals developed by American Cyanamid Company and marketed under the trade-mark TANAK*. Leather processed with TANAK takes the dyes more evenly and has a finer texture. It is just one of the many Cyanamid products used by leading tanneries.

But articles of leather are not the only merchandise in which you get more for your money now

because of Cyanamid research. There are many others—from clothes to food to automobiles to building materials—in which the chemical activities of this company are apparent in greater values.

*Registered U. S. Patent Office



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3000-TON SQUEEZE

VERY MUCH as grandmother rolled out her cookie dough, giant rollers flatten reluctant steel into the sheets and the shapes used by industry. Lubrication problems are complicated by tremendous pressures, heat, water and shock loads.

Texaco lubricants find high favor in the steel industry because they withstand such gruelling service . . . and because they are always quickly available from more than 2300 supply points, handy to all industry everywhere in America.

THE TEXAS COMPANY

—in all
48 States



into German hands. The O.P.M.'s latest priorities critical list of 300 items includes all kinds of guns and ammunition, boric acid, sleeping bags, caps, field glasses, cloth, fire extinguishers, and motion picture equipment of all types. These are simply illustrative samples. There is small doubt that Leon Henderson will put a ceiling over all prices, because every time one price goes up two or three others begin to wiggle loose from their moorings. It might have come sooner except that Bernard Baruch has been spending two or three days a week in Washington talking about it and the President staled on the plan.

Inflation Certainly Coming

NO one likes to think of inflation. Certainly no one in the Administration circle likes to talk of it. But the economists who are not swayed by sentiment say:

"It's coming. Our job is to hold it down."

The man who may be rated as the President's contact with the economists said:

"We think we have the machinery for controlling inflation. But it may not work."

Human Nature is Unchanged

THE machine is the one invented by John Maynard Keynes, the British economist who was recently cordially received at the White House. Part of it is Herbert Hoover's original scheme of spending government money in hard times and cutting down the spending in good times. But that isn't all of it. The gentleman referred to as the President's economist said ruefully that the plan will not work unless "we will it to work."

"We hold to the velocity theory. It makes little difference how many billions of inert money may be in the banks. It is only when the money begins to move that inflation is to be feared."

He fears we will not "will it" not to move. Congress gave the farmers a large gob of money recently and defied the plan. Others are getting money. They will spend it. The only way in which this money can be "willed" not to move is to take it away by high taxes and forced loans. "When you begin to do that you are calling for a martyr's crown."

Big Force Meets Large Post

CHAIRMAN Leland Olds of the F.P.C. may be the utilities' czar. The Power Commission now has all the power it needs under the Federal Power Act to require the coordination and interconnection of private and public utilities in any kind of an emergency. But bigger ideas are forming. They involve grids, power regions, and complete control of entire watersheds under the recent decision of the Supreme Court. Olds has already discovered a sweeping shortage in power, which will be available to him about the end of 1941. Unfortunately for Mr. Olds's plans, C. W. Kellogg of the Edison Electric Institute says there will be no power shortage. The E.E.I. is the industry's gatherer of facts. The O.P.M. picked Kellogg as its adviser on power because he is presumed to know his business. The O.P.M., through Knudsen, joined Secretary Ickes who joined Olds of the F.P.C. in giving Kellogg treatment in the back room. Latest reports are that Kellogg will not confess.

The Right to Speak Freely

IN time of war the person who mouths disloyalty finds himself in the hoosegow before he can say

Harry Bridges. An amendment to the basic act was accepted by the House Judiciary Committee so that its provisions might apply:

"During a national emergency as declared by the President."

Miss Sumner of Illinois asked:

"If I say anything wilfully or intentionally which would cause disloyalty to the Commander in Chief would I not be subject to this fine?" She said she had Lindbergh in mind.

Troubles of the Little Men

A LIST could be made of the owners of small factories who talk this way:

"I've been in Washington for two weeks and I can't find any one who'll talk business. I'm ready, doggone it. I've put my factory in shape. I am even losing my own business because they have prioritized my raw materials away from me. Who can I get to see so I can get an order?"

There is talk that a general reception room may be opened. The little man coming to Washington could go to this room, talk to a blonde, and be told where to go and whom to see and precisely when. Industry has always worked that way.

Sack-full of Items

RUSSIANS and British holding talks under the bed blankets. . . . American information agents abroad complain no one listens to them. . . . Unfortunately no one ever did. . . . Wheat movements may be "controlled" because of storage shortages. No lack of railroad facilities. . . . Radio sold \$154,823,787 worth of time last year. F.C.C. under fire because recent network order may interfere with entertainment. . . . Army being kicked around on charge it is still in 1918 mentality. . . . 1,000,000 tons of material either non-essential, producible here, or replaceable shipped in from Far East in last six months. . . . Rubber and other defense basics held up for lack of ship space. . . .

Attention, Frankfurter, J., et al.

IN 1935 the Government bought \$200.65 worth of coal to heat the post office at Central City, Ky. On June 2, 1941, the sellers recovered judgment against the United States in the Court of Claims. The opinion, written by Jones, J., and concurred in by the other members of the Court, is perhaps the only judicial statement of recent authorship which a layman can understand without a guide.

"The excuse for not making payment is stated by the Acting Comptroller General in a letter that is singularly free from any suspicion of logic.

"This method of settling government obligations is so novel that, if reduced to practice, it should be patentable. It would solve many national problems. The holder of a government obligation . . . borrows money at a bank, and, ergo, the government's obligation is settled. . . . That a just government or any responsible official thereof would pursue a course that makes such action necessary is almost incredible. . . . The plaintiff is entitled to recover the sum of \$200.65. It is so ordered."

Selah!

Herbert Corey

PRODUCTION

"THE AMERICAN WAY"

placed its added burden on the railroads—freight cars hold the key to speeding up the shipment of essential raw materials, the transshipment of parts for assembly, and the delivery of finished products.

Today, Pullman-Standard is manufacturing freight cars in ever-increasing quantities, but it is also producing—or tooling up to produce—tanks, howitzer mounts, guns, shells and airplane parts *on a mass production scale!*

Because the Pullman-Standard organization has the experience and "know-how" derived from its 82 productive years . . . because of its expert knowledge of metals . . . because it is big enough to provide millions of man- and machine-hours . . . and, finally, because the contributions of its research and engineering staffs to the field of metal fabrication have been instrumental in bringing those sciences to their present high state, Pullman-Standard is prepared to develop new methods for overcoming the uncharted problems that mechanized war is imposing. And this is vital . . . for America's future rests on its ability to out-think, out-plan and out-manufacture the dictators.

Loyal workers make possible the defense of America

One more thing, and that the most important of all, has made Pullman-Standard's great and telling effort possible: the loyal, patriotic *will* on the part of each and every worker to make his an all-out effort in defense of this country! And for that spirit Pullman-Standard believes the un-uniformed, unsung soldiers of democracy who man its machines merit the commendation of every thoughtful American.

Only in a country such as this, which gives to men the freedom of vision . . . freedom of initiative . . . freedom of voluntary interest, which are the very life-blood of so great an effort, could such progress be made. And, because our activities are typical of what is happening in all other big industries the country over, we further believe that they constitute a true reflection of the spirit which makes America great . . . able to defend itself . . . and *the American way of life* worth defending.

Pullman-Standard's plants and men have enlisted for the duration to produce these national defense materials

FREIGHT CARS—this company produces a finished freight car every 4½ minutes, to speed up deliveries throughout the entire defense industries, at its plants at Michigan City, Butler and Birmingham. This rate will shortly be speeded up.

LIGHTWEIGHT STREAMLINED CARS—there are 2¼ times as many cars ordered and building now than there were at this period last year. Production is on a multi-shift schedule at the Chicago and Worcester plants to handle the nationwide

transportation of personnel—both armed and civilian—incident to the defense program.

TANKS—28-ton tanks will be produced at the Hammond plant on a 24-hour-day schedule.

SHELLS—are being turned out on a 24-hour-day schedule at the Butler plant. A second production line to double this output is nearing completion. In addition, three other shell production lines are going into operation: one for 105 m/m. forgings; a second for the machining of

these forgings; a third for the machining of 155 m/m. shells; and a fourth line to double this production is now being installed at the Hammond plant.

GUNS—trench mortars and their mounts, and carriages for the new 105 m/m. howitzers which are replacing the .75 are also being turned out at the Hammond plant.

AIRPLANE WINGS—for bombers and transport ships will shortly be produced in impressive numbers at the Pullman-Chicago plant.

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Manufacturing plants in six cities

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MICHIGAN CITY, IND. • WORCESTER, MASS.

Young Man on an Eminence

WHEN Eugene Casey remarked recently, as he does on slight provocation, that "Mr. Roosevelt saved the capitalistic structure," one bystander nudged another:

"He means Casey's capitalistic structure."

Within the limits of this amendment, Mr. Roosevelt is indeed the savior of capitalism. In this rôle he won Mr. Casey as his most mysterious disciple. An unassuming fellow with hawk-like face and thinning, light brown hair, Casey is now one of the President's Anonymous Six—with Sherman Minton safely in a federal judgeship, five—Secretaries. Why this should be is a matter for conjecture.

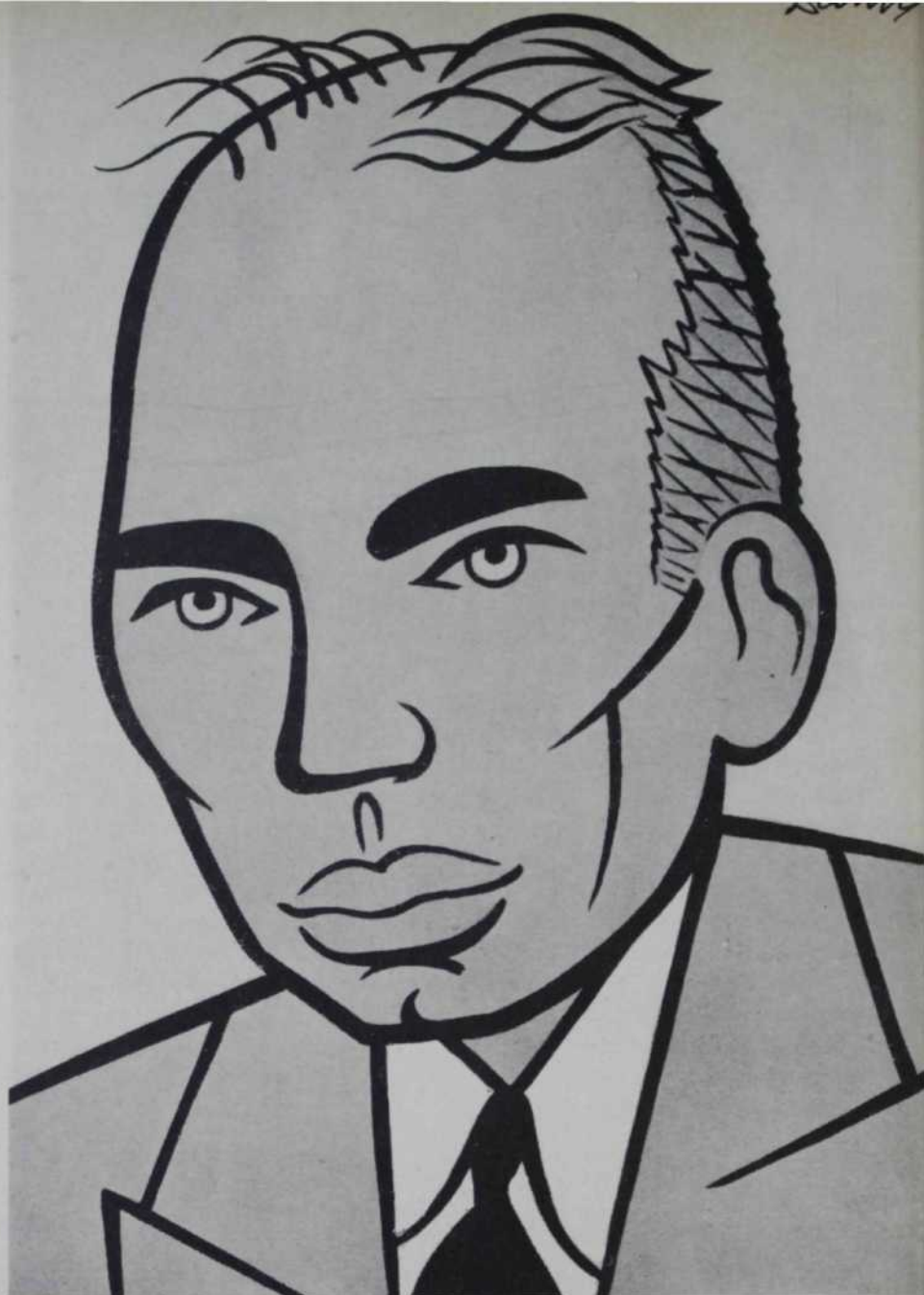
"Ask five men about Casey," says one who knows the Washington scene, "and you will get five different answers."

You will. They will range from dark hints that "Casey knows where a body is buried," to "Casey is an errand boy who was given a job to increase his personal prestige." You will hear that his job is to whip recalcitrant farmers into the Roosevelt ranks; that he is merely an idolatrous follower content to sit in the Master's presence; that he is front man for a wealthy Marylander who has mortgages on virtually everything that Casey possesses.

However that may be, Casey won his place among the Anonymous Six the hard way. Not that he would object to that. He has taken the hard way all his life—and has done well at it.

By the time he was 25 he had accumulated considerable wealth through real estate operations and the stock market. Through the tinsel 'Twenties the world was his oyster, and full of pearls. In 1929, down tumbled the walls of Jericho. Casey, like others who had tooted a hot trumpet in the pre-cash cacophony, blamed Hoover. He blamed the banks. He blamed a social system which, some say, he does not yet understand. He was broke and disillusioned. But he is not a quitter. If he were, he would not be one of the Selfless Six.

Let's start at the beginning.



WASHINGTON'S man of mystery: Eugene Casey, 36 years old; Washington builder, Maryland farmer, and most recent appointee of the President's anonymous advisers

Eugene Casey was born in Washington in 1905. Son of a successful master plumber, he had no silver spoon in his mouth but he had a taste for one. As a New Deal disciple today he must oppose child labor, if he thinks of it, but his youthful mind knew no such prejudice.

Started work early

AT THE age of ten, he was delivering papers, jerking sodas, devoting his after-school hours to such odd jobs as came to hand. Apparently he was too busy to learn bad habits. At least he does not drink or smoke to this day.

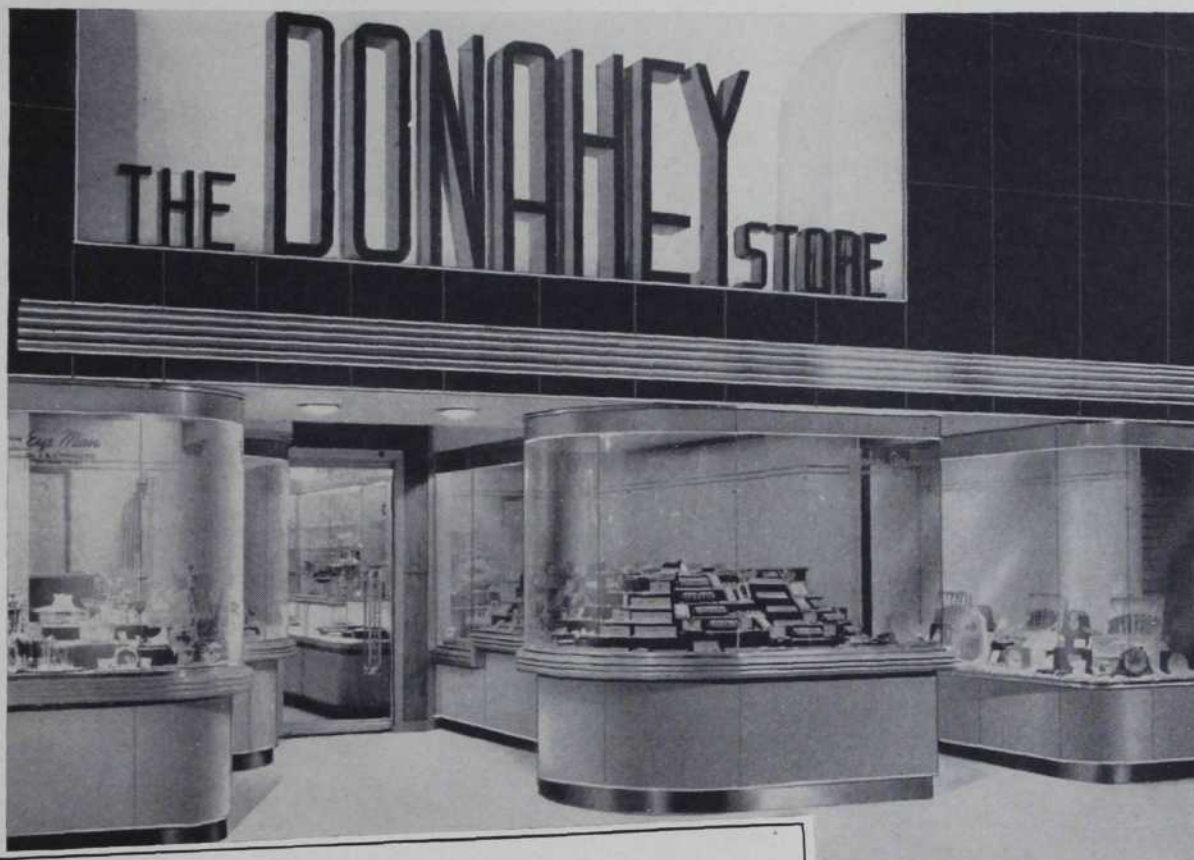
In 1917, the driver of the Washington *Star's* sole automobile delivery

truck, the one that made the mail trains, was called into military service. People with auto driver's permits were scarce and the *Star* was sorely troubled until Casey appeared. He had a permit. Examinations were more casual then, and, when they asked his age, he did not answer, "12," which it was. He got the job.

High school days found him contributing sports articles to the *Star*. He served a hitch in the sports department of the Washington *Post*, and spent a summer as wiper in the Leviathan engine room.

Finally he went off to Penn State with a Central High diploma among his belongings. A case of mumps sent him

Give your store a *Build-up!*



You can put new life
in your business
with a Pittco Front

BRIGHTEN YOUR STORE with a front like this one in Vineland, N. J., if you want to flag down new customers every day. Here gray and Rembrandt blue Carrara, Aluminum Pittco and EasySet Metal, Pittsburgh Polished Plate Glass and Herculite Glass Door, are combined in a sales-making Pittco Store Front. Architect: Armand D. Carroll.

THE colorful glass of a Pittco Front attracts the instant attention of passers-by. Its good looks win their admiration — and their trade. If your merchandise is of good quality and priced right, if your salespeople are courteous, and your interior is pleasant—announce it proudly with a new Pittco Store Front. The result is sure to be an improved clientele

and greater volume of sales.

The truth of this has been proved a thousand times over by merchants throughout the country. Many of them have written us, telling how a new Pittco Front has helped their business. You'll find typical examples in our new Store Front Book—photographs of recent installations and actual reports of gains made after re-

modeling. Send the coupon for this free book — today.

When you build, we recommend that you see an architect to make sure of an economical, well-planned job. Our experts will cooperate with him gladly in planning a Pittco Front to suit your needs. And if you wish, you can pay for your Pittco Front on the Pittsburgh Time Payment Plan — just 20% down and the balance in monthly payments.

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Please send me, without obligation, your new, illustrated booklet, "Pittco Store Fronts — and Their Influence on Retail Sales."

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Street.....

City.....State.....

home. He never went back. Instead he helped his father make the plumbing estimates for the Y.M.C.A. building, additions to Walter Reed and Gallinger hospitals and several school buildings. At night he studied construction engineering.

Trying his business methods

HIS father's business methods did not have his complete approval:

"He was a sucker for his friends and they imposed on him."

That estimate of his father seems to imply that the son is hardboiled and yet men who have fought with and against him say of Casey:

"He would give you the shirt off his back."

Anyhow, at 21 he married his childhood sweetheart—they have three daughters now—and set out for himself in the building business, specializing in low-cost housing units. The crash found him overextended. Banks, which he says agreed to carry him, tightened up for their own safety leaving him unable to meet his commitments.

"They backed out on me."

He hung on grimly but, by 1932, he had little left but a few thousand dollars invested in railroad bonds, and so little to do that he volunteered his services to Congressman Patrick H. Drewry, of Virginia, in the Democratic congressional campaign of that year. Drewry was elected and Casey got a sniff of political air. He liked it.

Also the election brought Roosevelt. The stock market licked its sores and climbed a tentative step or two. Casey sold railroad bonds and bought a farm near Gaithersburg, Montgomery County, Md., some 15 miles from Washington.

In the next two years, Washington began to feel the first faint throbbings of a building boom. Construction was needed, credit was easing, but real estate men were inclined to hold back. Not Casey. He sold more railroad bonds and plunged in.

The bonds, incidentally, have since been replaced by others on western roads now in receivership. Casey likes railroad bonds, especially since the '30's when he noticed that insurance companies carried large holdings in their portfolios.

"There will always be the necessity of the railroads," he says.

In building, he concentrated mostly on group dwellings—two bedrooms, living room, dining room, kitchen, bath and back porch renting from \$34 to \$38

a month. His operations in and near Washington over the past eight years are estimated at \$2,000,000.

It is worth mentioning that government finance has had no part in this. Report has it that, once when an agent had planned to use government financing, Casey insisted on other arrangements.

Meanwhile, he bought four more Montgomery County farms, a total of 2,000 acres. Moving there, he became the largest dairy operator in Maryland, a title he forfeited when, having divided the original five farms into three, he rented one of them.

Obviously, so far as he is concerned, prosperity has rounded the corner at a gallop. Casey gives Roosevelt all credit for this phenomenon just as he gave Hoover all blame for the depression; and he is grateful.

Through 1933 and '34 this gratitude took the form of letters to the White House praising the New Deal and the Roosevelts. These brought perfunctory answers. The next year, however, Mr. Tugwell thought he saw a use for such



Mr. and Mrs. Casey at a Lewis rally in their barn

devotion in his Rural Resettlement Administration. That pot boiled over after about a month when Casey wrote a sharp letter to Tugwell criticizing "impractical operations." That cost him his job with Resettlement but not his love for the New Deal.

Unable to exercise his fealty actively, he gave indirect support by naming his three farms, "New Deal Farm, No. 1"; "New Deal Farm, No. 2"; and "New Deal Farm, No. 3," which names he painted boldly on his barns.

Also he became active in politics in Montgomery County, where politics are very active, indeed.

He had an excellent stepping stone.

As an agriculturalist, he had joined the county Farm Bureau, eventually serving on its board of directors. He was the only director to vote in favor of a Rural Housing project for the county two years ago. Although he managed to swing some member support, the project apparently died a natural death.

He also demonstrated ability as the president of the Frederick Production Credit Association, a farmers' co-op which, everyone agrees, he put on its feet. Such things win recognition. Added to his presidency of the United Young Men's Democratic Club, they gave Casey local political stature.

Montgomery County has not been too heartily New Deal. In the elections of 1934, Republicans and anti-organization Democrats united in a campaign which left the five man county board with two Democrats, two Republicans and one anti-organization Democrat—or Fusionist—Charles E. King.

Early in 1938, King resigned and Fusion leaders persuaded Governor Nice to appoint Clay Plummer in his place. Plummer, a neighbor of Casey, was known to have a long-standing antipathy for the regular Democratic organization.

Indicting officials

MEANWHILE Casey had served on a county grand jury which indicted several county employees, including the building inspector and supervisor of county aid, for embezzlement.

When the commissioners did not remove these officials with what he regarded as proper alacrity, Casey was incensed. He was especially bitter against a Democratic member of the board whom he felt to be siding with the accused.

Whether or not this bitterness colored future events is still a moot question in Montgomery County.

Some feel that resentment was still smoldering in the Casey breast when maneuvering for the 1938 elections began.

Preparing for this test of strength, the Democratic organization met in the early summer and selected its nominees for the various county offices. Shortly afterwards, without consulting the party rank and file, leaders of the Organization Democrats and the Fusionists got together in a "harmony pact," dropped three candidates from the original slate in favor of three others—one of them Mr. Plummer.

Casey branded this performance "smoke-filled room politics." Withdrawing as a candidate on the organization

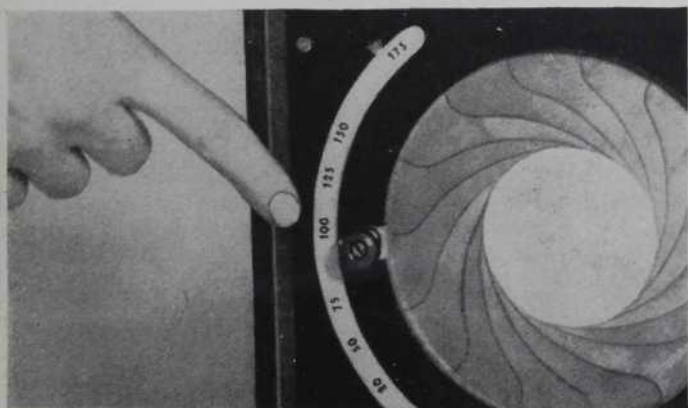


THIS LITTLE BLACK BOX MAY HOLD THE SECRET to better production in your plant!

1. THIS LITTLE BLACK BOX is an amazing new device . . . the G-E Footcandle Selectometer. It isn't for sale, but any G-E lighting man will gladly show you how to use it and let you see for yourself how various amounts of light affect different operations in your plant. For example . . . take any job where fast, accurate seeing is necessary, as in operating a high-speed machine. This represents not only a sizable investment in the machine but also in the training and skill of the operator. Unless he has enough light for fast, easy seeing, he tires more quickly, makes more mistakes, and a lot of the precision value of the machine and the workman is lost. Good light is needed, but how much?



2. HERE'S WHERE the G-E Footcandle Selectometer makes it possible to select the amount of light you would like for easier seeing. It works on a simple principle which increases or decreases the amount of light you direct on the job . . . anywhere from 0 to 175 footcandles. After experimenting, you can tell when the light seems best to you. Let the machine operator try it too.



3. TAKE A CLOSE LOOK at the footcandle reading on the dial. 90 footcandles? That's the amount of light your eyes said they wanted for that particular job. It may be two, three, or ten times the amount of light regularly used at that machine. But it is the amount of light that your eyes prefer.



4. TODAY IT MAY SEEM impractical to provide general indoor illumination of 100 to 200 footcandles, but it is possible to get 50 to 100 footcandles with G-E MAZDA lamps . . . incandescent, mercury, or as many plants are doing, with G-E MAZDA F (fluorescent) lamps. Ask your G-E lighting man or electric service company for a G-E Footcandle Selectometer demonstration.



5. SEE YOUR G-E MAZDA LAMP DISTRIBUTOR for a wide choice of Tested-Certified-Guaranteed fixtures, complete with G-E MAZDA F lamps ready to hang up and turn on. General Electric does not make fixtures for MAZDA F lamps, but recommends Fleur-O-Lier or RLM certified fixtures. For information, write General Electric Co., Dpt. 166-NB-G, Nela Park, Cleveland, O.

New QUANTITY LAMP DISCOUNTS

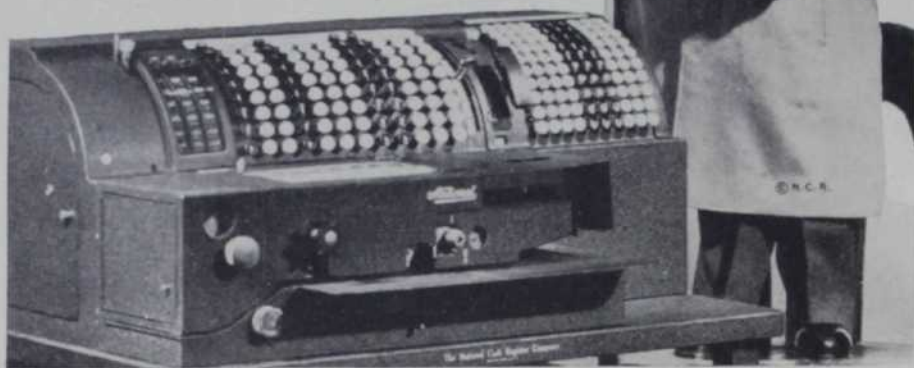
Quantity purchasers of G-E MAZDA lamps . . . incandescent, fluorescent, mercury, or any of the thousands of types of large lamps that G. E. makes . . . can now buy \$5 worth for \$4, \$15 worth for \$11.25. In addition, there are new larger discounts for contract purchasers. See your G-E MAZDA lamp supplier today!

G-E MAZDA LAMPS
GENERAL ELECTRIC

Made to stay brighter longer

"Flexible, eh? Can you stretch it . . . like this?"

— says the
Little-Man-Who-Wants-to-Know



"No sir! All NATIONAL Accounting Machines are built to stand firm, without giving an inch, for years and years and years! . . . By flexible we mean versatile, adaptable, ready for almost any job of analysis and distribution . . .



"This modern marvel gives you fast and accurate and useful figures on sales, purchases, payroll, remittances, insurance premiums, railroad statistics or what-have-you! . . . Up to 27 ten-digit totals (or 54, if split) and 3 grand totals.



"See the point? You cut down pre-sorting and other waste motions, save time, work, money. Why bother any longer with costly spread-sheet methods? And NATIONAL makes other accounting machines — a complete line for all uses.



"Machines for listing, posting, proving, analyzing, bookkeeping, check-writing, remittance control—and more. Machines that pay for themselves many times over, all made and serviced by the makers of NATIONAL Cash Registers. . . . Whatever your problem, see NATIONAL first!"



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Young Man on an Eminence

(Continued from page 88)

slate (he had been named for a place on the Democratic State Central Committee) he helped organize the Independent Democratic Organization which entered a ticket of its own in the primary and was soundly defeated. Whereupon Casey sent a telegram of congratulations and a pledge of support to the chairman of the victorious Democratic organization.

It provides an insight into the Casey energies to know that these political pyrotechnics, his agricultural interests and his building did not combine to keep his hands full.

They left him time to attend the national convention of the Young Democrats where he attempted to put through a resolution endorsing Roosevelt for a third term. This failed in '38, although it carried the next year.

They also left him time to try to line up a New Deal candidate for governor against Jackson and O'Connor in the Democratic primary. It was an abortive effort since Dr. H. C. Byrd, University of Maryland president, and Casey's choice for the race, finally refused to run after much dallying.

Then came the purge

HE ALSO had time to take an active part in the celebrated "purge" campaigns that enlivened the 1938 elections.

Among others under the presidential anathema was Sen. Millard F. Tydings of Maryland.

Experienced political observers doubt if anyone really believed that Tydings could be purged. They believe that political strategists hoped only to cause him some inconvenience and an expensive campaign. His opponent was Congressman David J. Lewis, former member of the U. S. Tariff Commission, who suddenly found himself in the midst of a bitter campaign.

Waving the Lewis banner were Casey and two Washington columnists, one of whom nursed an egregious dislike for Senator Tydings. Whether Lewis was surprised to find Casey among his partisans isn't given. Other people were. They remembered that, in 1936, Casey had espoused Clay Plummer's candidacy for the Democratic congressional nomination against Mr. Lewis.

In this campaign, however, Lewis rallies were held in the loft of one of Casey's barns and his speeches were prepared by the triumvirate. They were lively speeches. One, in fact, was so lively that Lewis, reading it just before he got up to speak, preferred not to use it. He spoke extemporaneously, an art at which he is not particularly gifted.

As was generally predicted, Tydings had an easy victory but the campaign had brought Casey to the attention of several persons prominent in the presidential entourage, among them Tommy Corcoran. Casey began to see more of

them. He entertained them on his farm, continued to speak his devotion for the New Deal, and helped raise money for the Roosevelt Library at Hyde Park. Among his prospects was William Green of the A.F. of L. who gave \$500. Another was John L. Lewis, C.I.O., who remarked that there were too many other deserving causes and gave nothing, although Casey extended his salesmanship.

Newspaper friends took care that such activities did not go unnoticed. Casey's name began to be mentioned in Washington columns and he made a brief personal appearance in the syndicated comic strip "Ben Webster's Career." There he appeared as a struggling young farmer in Gaithersburg. Ben Webster, like many others, not fictitious, found him to be "a great guy."

Casey treated the matter as a joke but some people regarded it as a bit of inspired publicity.

His part in Farm Credit

BY 1940 there was talk that Casey might become governor of the Farm Credit Administration. That fell through but he did become assistant to Governor A. G. Black. He feels that he accomplished nothing here although he argued vigorously for cheaper money for farmers.

"Farm credit is one thing the New Deal has not successfully worked out," he says.

Others felt the same way including organized farmers who had been advocating an independent status for the Farm Credit Administration—a status which the organization had originally and which put it in the unhappy position of doing its work with one hand and fighting for its life with the other.

Unavoidably, Farm Credit was half Agriculture and half Treasury. Both departments wanted to control it and both delighted in booting it to demonstrate the need for their control. The fact that Casey, as a Corcoran protege, could never have Secretary Wallace's confidence made relations no happier in that direction.

Meanwhile the Agriculture Department was making commodity loans as near the minimum as possible; the food stamp plan came along and money to support it was taken from farm relief appropriations when farmers thought it should come from somewhere else. A St. Paul land bank came under fire and was soundly plastered. Casey took to the field, writing reports that no one but Governor Black ever saw. A merry internecine warfare waged while farmers grew so rebellious that Democratic workers began sending frantic reports that the farm states would go Republican in the 1940 elections.

From the field, Casey, who accepted no pay for his work, thus avoiding criticism for engaging in politics while on the Government pay roll, unwittingly tossed fuel on the conflagration. At least, he is given the credit. Pamphlets linking the Administration with Farmers Union were sent to a mailing list which closely paralleled the list of recipients of A.A.A.

(Continued on page 104)

250 Cool Drinks for less than 1^{*}cent!



...This METER-MISER
is the Reason for
Frigidaire
Economy!

Frigidaire Water Coolers Cost You Less to Use!

● Now you can get 250 cool, invigorating drinks* (approximately 8 gallons) for less than 1¢ with smallest size Frigidaire coolers. Larger models are even more economical. The reason for this low cost is Frigidaire's exclusive Meter-Miser mechanism that eliminates pistons, connecting rods and many other parts that cause current-consuming wear. And it's protected for 5 years against service expense.

In addition to providing an abundance of cool, thirst-quenching drinks at amazingly low cost, Frigidaire coolers offer:

Handsome Appearance, Compact Size.

Effortless Drinking—"Magic Action" bubbler on pressure coolers. Foot pedal optional at slight extra cost.

Finger-Tip Temperature Control—Select the water temperature you prefer.

Model for Every Need—A complete line of bottle, pressure, and tank-type models.

Don't wait! Call in nearest Frigidaire dealer or send for complete Frigidaire Water Cooler Catalog today.



Call in the Expert

Call in Frigidaire



Send
for
this Catalog!

Frigidaire Commercial Division
General Motors Sales Corp., Dayton, Ohio
Please send me free Frigidaire Water Cooler Catalog.

Name and Company

Street Address

City and State

(N. B.-7)



CAUTION! It isn't a genuine Frigidaire unless it bears the "Frigidaire" nameplate. Frigidaire products include: Water Coolers—Air Conditioners—Beverage Coolers—Refrigeration Equipment.

*Costs less than 1¢ to cool 250 4 oz. drinks from 80° to 50° in 80° room, using bottle type cooler and 3¢ KWH rate. Larger Frigidaire coolers cost even less.

NO BUSINESS *Can Escape* CHANGE

Defense strikes punctuate the all-out emergency, yet consumers can still have many new civilian products

1 • A FINISHING and polishing wheel is now made of soft rubber with the polishing compounds impregnated in the rubber binder. A wide variety of grain and grade combinations permits semi-grinding to lapping operations.

2 • A NEW portable typewriter has a built-in typing stand. The stand opens to three typing heights and when folded into the case adds very little to its size.

3 • A PHOTOGRAPHIC material for sensitizing metal plates has been developed for use in template or similar processes. Engineering drawings can be printed either by contact or projection directly on the metal sheets.

4 • A NEW type paper cup dispenser permits the inverted cups to be lifted out the top without possibility of the rim being contaminated. Only one cup at a time may be lifted out, but another automatically springs into place.

5 • FOR photographers who wish to dry film quickly there is an infra-red lamp said to dry their film in two minutes.

6 • A NEW photoflash lamp produces a flash brief enough to freeze moderate motion and fast enough to simplify synchronization. It reaches its peak in 0.005 second and is completed in 0.01 seconds. It uses a chemical paste on the lead-in wires instead of foil or free wire.

7 • A PORTABLE radio with built-in charger for the batteries is now made with the batteries in a section which can be removed to make the set a smaller, more compact table model for use where electricity is available.

8 • A LOW-COST plug-in individual room air conditioner is now made with a reversing valve that permits it to be used as a heating unit—reversed refrigeration. Capacity is 6,000 BTU for cooling or up to 9,200 BTU for heating. It introduces up to 60 cubic feet of fresh air per minute.

9 • A COMBINATION air circulator and fluorescent light fixture gives an unusual combination of cool air circulation and lighting. The fan is designed to draw cool air from below and recirculate it downward at a 45 degree angle. The unit is mounted from the ceiling with the fan slightly lower than the lights and can be installed as individual units or in continuous runs.

10 • COOLING fans connected with evaporative cooling systems are now made that may be easily placed in or near a window and that operate very economically.

11 • AN electric thickness gage has been developed by which thickness of non-magnetic metals may be determined when only one side is accessible. Designed for measuring thickness of hollow aluminum propellers, it is adapted to the measurement of many other metals.

12 • FOR motorists who dislike bugs on their windshields there is a bug deflector made of a transparent plastic which creates air currents to the top and sides of the car to force insects away from the windshield. It is attached to the radiator guard or grille and extends several inches above the level of the hood.

13 • FOR applying paint or finish to a glossy or enameled surface there is a product to eliminate sanding. Applied with a rag, it cleans and sets up a slight tack to which the new finish adheres tightly. If the surface to be painted is clean and free from grease, the new finish will adhere well if a few ounces of this product are added.

14 • A FLASHLIGHT battery is now made with the electrolyte in a small glass bulb which is released by a tap on the cell when it is put to use. Unlimited shelf life without deterioration is claimed.

15 • FOR those using evaporated milk a novel opening spout is easily inserted, it pours like a small pitcher, remains in place until the milk is used, is then easily removed and cleaned for the next can.

16 • A PUMP unit which can be carried easily by one man is now made for flushing and testing fire extinguishers. Only a few strokes of the pump are required to obtain the hydrostatic pressure to show whether the extinguisher and its hose are safe.

17 • ELECTRICAL connections of the three-wire twist-to-lock type are now made with facilities for mounting fuses in the connection. They give better protection to small motors, save cutting out the entire line for shorts.

18 • FOR home-made furniture and household equipment there are now made patterns which are full-size and comparable to dress patterns. All that is necessary is to lay the pattern on the wood, trace, saw, and assemble.

19 • A NOVEL tool for home or hobby combines, with one handle, five bits for use as cutting blade, wood chisel, screw driver, wood reamer, saw blade. The blades are interchangeably mounted in the 6½ inch handle and fastened with set screw either straight, or at a right- or left-angled rake.

—W. L. HAMMER



20 • A SMALL MIRROR now made has a plastic handle which serves as a lipstick case. It is made in a variety of dainty feminine colors, is suitable for purse or pocket.

EDITOR'S NOTE—This material is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business news into our offices in Washington. Further information on any of these items can be had by writing us.

College Graduates Find Jobs Quickly

WITH man-hungry defense industries scrambling for trained personnel and the draft draining the supply, the current crop of college graduates is in a sellers' market. Engineering schools, especially, are swamped with employment calls, many reporting three to five jobs for every man. Effects of the defense boom and conscription are reaching virtually all fields of employment, greatly increasing calls to schools of business, stirring demand for graduates of liberal arts and teachers' training colleges. Starting salaries are generally higher.

Traditional "top third" of the seniors no longer monopolizes employment offers. This year's rush for college-trained personnel is reaching clear down to the bottom of the class, the Northwestern National Life Insurance Company reports. Students with lower grades, married students, women students are in demand. Even the "problem personalities" are being hired. Among the 132 U. S. colleges and universities cooperating in the company's survey, almost all schools of engineering, four out of five schools of business, and most of the liberal arts and teachers' colleges expect to place from 95 to 100 per cent of all June graduates seeking employment, most of them by commencement time.

Draft eligibles are hired

CONSIDERATE attitude of large employers toward probable draftees is especially noted by many placement officials. Though men likely to be drafted in July, and R.O.T.C. men certain to enter service immediately are necessarily passed up for present employment openings, many are being asked to apply for work as soon as their year of military service is ended.

Where already-drafted employees are being replaced, prospective draftees are out of consideration, of course; also they are generally not acceptable for training courses. In general, small firms are paying more attention to draft numbers than are big concerns.

For teachers' jobs, educational officials are requiring men with high draft numbers, or men otherwise unlikely to be called before at least a year of teaching service can be completed. A definite tendency to favor married graduates is reported. Through the depression many employers favored graduates with dependents and this tendency is now heightened by their lower grading under the draft.



TRUCK-TRAILERS
Doubled **THEIR**
SALES TERRITORY!

But
THAT WAS ONLY THE START OF THEIR
PROFITS FROM TRAILER HAULING!

• **STOKELY-VAN CAMP**, of Indianapolis, one of the world's largest canners of fruits and vegetables, bought their first Truck-Trailers in 1934. And immediately, they learned something important — *that Trailers would enable them to double their sales territory from each distributing point!*

Why? Because they could profitably *pull a big load* with a small truck . . . while a truck big enough to *carry* the same load would be unprofitable!

So now, Stokely-Van Camp uses a fleet of 12-ton Fruehauf Trailers — pulled by economical 3-ton trucks — to carry produce to and canned goods from their 41 plants serving every corner of the United States . . . hauls ranging from "just around the corner" to 800 miles or more.

TRUCKS NEVER IDLE

They learned how to benefit still further. Trucks idle during loading and unloading were unprofitable . . . and on shorter hauls they were idle as much as half of the working time. So they adopted the "shuttle system"

. . . one truck handles three detachable Trailers. Truck and driver are constantly busy . . . while they're pulling one Trailer, the second is being loaded and the third unloaded. And, although shuttling is sometimes considered as a short or medium-haul operation, Stokely-Van Camp uses it on runs as long as Indianapolis-to-Chicago.

However much your hauling operations may differ, it's very likely that the Truck-Trailer method would be profitable for you, too! A Fruehauf transportation engineer will gladly study your job and advise whether you can use Trailers to advantage. Why not call him . . . today?

World's Largest Builders of Truck-Trailers
FRUEHAUF TRAILER COMPANY, DETROIT
Sales and Service in Principal Cities

Factories: Detroit, Kansas City, Los Angeles, Toronto

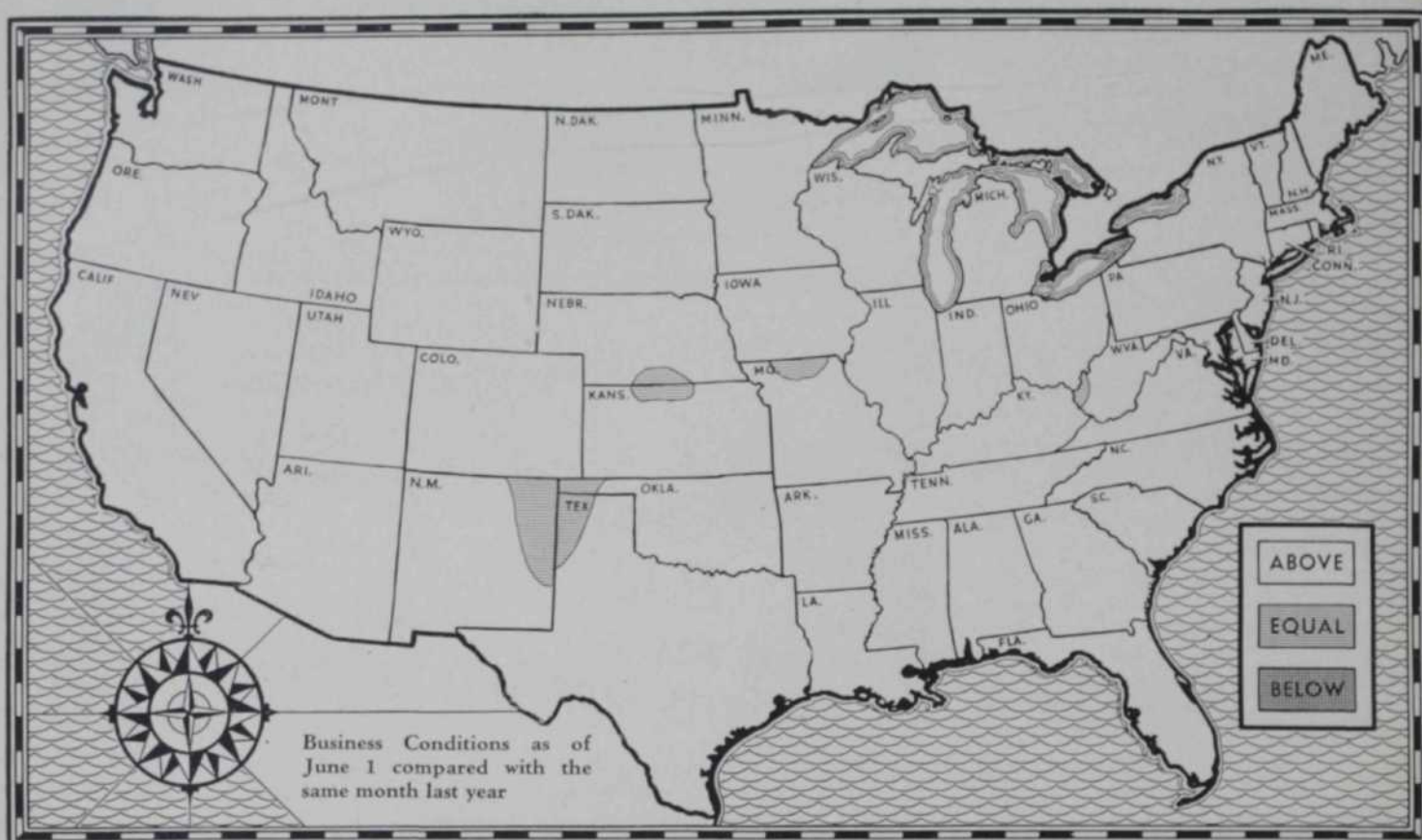
Freight shipped by Motor Transport doesn't wait for scheduled departures. It leaves when it's loaded . . . and it's never side-tracked.



FRUEHAUF TRAILERS
"Engineered Transportation"
REG. U.S. PAT. OFF.

The MAP of the Nation's Business

By FRANK GREENE

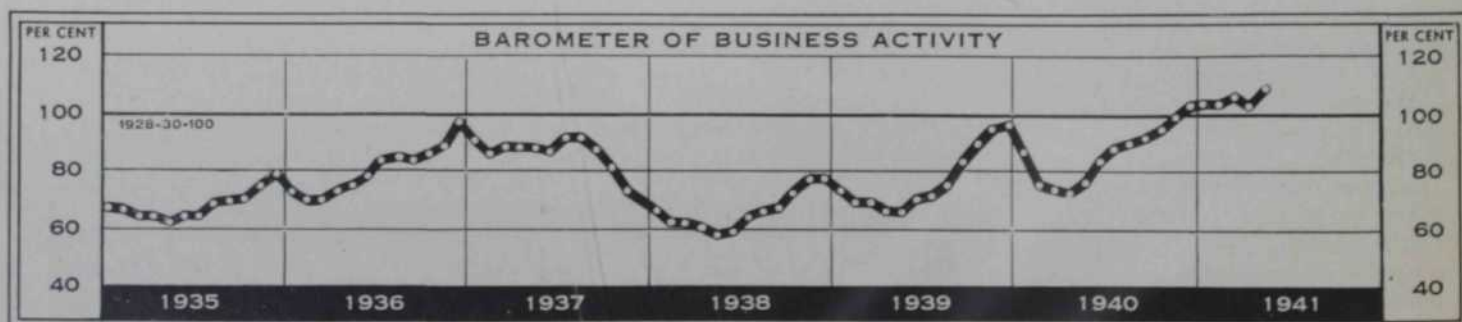


INDUSTRIAL output in May recovered rapidly from effects of April strikes. Shortages of essential materials, however, increased production difficulties and priorities curtailed some non-defense industries. Steel ingot output rebounded to 99.9 per cent of capacity with order backlogs of mills still rising. Shipbuilding demand for steel plate threatened a railway equipment shortage as carloadings reached an 11-year peak.

Abnormal automobile sales pulled down dealers' stocks as record May production fell short of demand. Construction contracts, though down from April, were the third highest for May in history, while building material producers worked at capacity. Electricity output recorded an all-time high and the East faced an oil shortage due to diversion of tankers to war needs.

Increasing consumer purchasing power maintained retail and wholesale activities while new farm legislation created sharp advances in agricultural commodities.

The almost all-white Map depicts improvement from last year in practically every section due to agriculture and employment



The recession in April in industrial production due to work stoppages was quickly recovered and the Barometer chart line for May rose to a new peak. Security markets remained dull

What Every Boy on a Bicycle Should Know



If you're interested in keeping two "whole" arms and legs . . . If you like to play baseball, instead of having to watch other boys play . . . If you'd like to keep on riding your bike . . . In other words, if you're intelligent enough and farsighted enough to learn from advice that is based on experience, this message is right down your alley . . .

Careless bicycle riding ruins a lot of boys—and the bright futures their dads have planned and dreamed about for them.

Naturally, you know how to mount and dismount a bicycle and to make it go, but do you know how to handle yourself on a bike?

It's no safer to turn your head in driving a bike than it is in driving a car—"Eyes Front" is a good rule for anyone.

Traffic lights apply to two-wheelers as well as to motorcars—and an automobile wins if there's a mix-up.

Wet streetcar tracks should be handled with care.

"Sidewalk Bike Hogs" cause many accidents; yet, on sidewalks the pedestrian has the right-of-way.

Bikes need lights at night as much as cars—because motorists can't see an unlighted bike on the highway after dark.

The better citizen you are when you're riding a bike, the better citizen you'll be when it's time for you to get behind the

wheel of the family car—and the sooner you're likely to drive that car.

If you'll just Stop—Look—and Think a couple of moments, you'll realize that sane bike riding, with crowded highways and crowded sidewalks, is a pretty important proposition. You can make it safer, for yourself and for others, by keeping a Good Head on your bike.

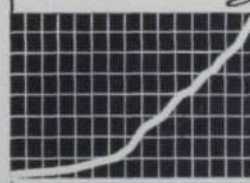
Send for "Bikes—and Boys—and Girls." It's free. It tells you how to ride a bike, think on a bike, take care of a bike. Get your copies from the Lumbermens agent in your city or from our home office in Chicago.

To Parents of Bike-Riding Boys

There is no better example of responsibility than the one parents set themselves. A responsible driver has good automobile insurance. He is "good" in case of accident.

The reason hundreds of thousands of motorists choose Lumbermens casualty insurance is because they like to do business with a company that stands behind them 100 per cent in case of crisis, settles claims promptly, and pays generous dividends.

They like the broad-gauge safety crusades such as this which Lumbermens is waging. Thousands of Lumbermens agents to serve you throughout the United States and Canada.



FOLLOW THE CURVE OF CONFIDENCE
Growth of Lumbermens dividend payments to policyholders since 1912, year of founding.

Lumbermens

MUTUAL CASUALTY COMPANY

JAMES S. KEMPER, President Home Office: Mutual Insurance Bldg., Chicago
Operating in New York State as (American) Lumbermens Mutual Casualty Company of Illinois



A CAR FOR EVERY PURSE AND PURPOSE

ONE of the biggest reasons that more than 25 million people in America own automobiles is this:

Practically every automobile dealer handles both new and used cars.

So his prices for automobiles range from under \$100 up to \$1,500 and sometimes more—literally “a car for every purse and purpose.”

Dealers do this, of course, because it's good business to help the man who wants a new car to find a market for his old one.

But in the process, they provide a reliable place for the young fellow just starting on his first job to get a lot of transportation for his money.

And they provide a place, too, for the man on his way up in the world to trade his old car for a better used one, even though he cannot quite reach up to what a new car costs.

When you think of it, that's a mighty useful service for a merchant to deliver.

And General Motors dealers, as a group, do it so well, they are real partners in progress with us on the one hand, and with their home town people on the other.



GENERAL MOTORS



JONES MOTORS

E.P. JONES
JR.
CARS
FOR SALE





OUTLAW HEAT-FAG

Management and Labor Agree on this Policy!

H EAT-FAG saps men's strength — slows them up — wears them down before the shift is over. Heat-Fag threatens whenever hot weather and heavy work make workers sweat. For, as they sweat, salt is passed off. The normal saline balance in the body is disturbed, and the result is lowered efficiency — fatigue — vague discomfort — and in severe cases, even heat sickness and cramps.

That's Heat-Fag — the enemy of production. To labor, it makes the job seem harder, more tiring. To management it means lowered efficiency, mistakes and a sag in production.

The remedy is simple and inexpensive . . . Morton's Salt Tablets in sanitary dispensers at all drinking fountains. Workers welcome this contribution to their comfort and welfare.



Place Morton Dispensers At All Drinking Fountains

Morton's modern dispensers deliver salt tablets, one at a time, quickly, cleanly, and without crushing or waste. Sanitary, easily filled — durable and dependable.

Morton's salt tablets contain the most highly refined salt, pressed into convenient tablet form, easy to take with a drink of water. They dissolve in less than 40 sec. after swallowing. Order direct from this ad, or from your distributor.

DISPENSERS \$325

500 Tablet size \$400

TABLETS—Case of 9000

Salt Tablets \$260

10 grain

Combination Salt-Dextrose

Tablets, per case . \$315



FREE . . . write on your firm letterhead for a pocket size sample tube of MORTON'S SALT TABLETS, and new folder, "Heat-Fag and Salt Tablets."

MORTON SALT COMPANY
CHICAGO, ILLINOIS

Metal Plants Lengthen Weeks

SIX and even seven-day operation is becoming general practice of companies operating metal working plants. Of 193 companies employing from 250 to more than 5,000 workers, mid-May reports revealed operation over part or all of Saturdays by 153 plants, with 55 running to some extent on Sundays. Only 35 companies, or 18 per cent, reported five-day schedules.

About two-thirds of companies working six days have more than half of their plant in normal operation on the sixth day. Sunday operation was generally restricted to maintenance crews and to bottleneck departments except in continuous process industries. Only seven companies were operating entire plant five and a half days a week; only 34, six days a week; and only four seven days a week.

Many work overtime

MORE than half of the companies included in information available to the National Industrial Conference Board reported that from ten to 30 per cent overtime per week was being worked, with practices varying for all companies from almost no extra time to 90 per cent for one company. In general, the Board's survey disclosed more overtime work in plants operating on the sixth and seventh days at less than 40 per cent of regular production than in plants coming nearer to approaching the 160-hour week advocated by the O.P.M.

Reasons given by the companies for using overtime were lack of skilled labor to make possible increased number of

shifts, difficulty of obtaining additional machine tools with consequent intensive use of those already on floors, insistence of employees on overtime work to swell earnings.

Although 103 of the companies indicated they had had former experience in operating plants on multiple-shift basis, 62 companies were faced with new operating technique. A majority of the plants said they were on multiple-shift basis, wholly or in part. Only 21 companies were continuing to operate only one shift.

In all, 110 different shifts were reported, with eight hours the usual length of work period in two-shift and three-shift plants although ten hours was also common practice in two-shift plants. Six companies reported adoption of four-shift schedules. Majority of the companies assigned men to specific shifts and those shifts worked same hours and days each week. Where this was not the case, weekly rotation of shifts was most common practice. Sixty per cent of the companies paid a premium to men assigned to night shifts.

"Swing" or relief shifts were operated by 27 of the companies. Technique is sometimes applied to a single department by having one versatile man relieve, in turn, five or six other operators; or, in other companies, entire crews relieve one after another of five or six crews. Each of these crews is assigned a different "day off." In one company, men are rotated in such a way that some departments are operated six days and others seven days—all without the general use of overtime.



U. S. Tax Load Nearing British

WEIGHT of war costs has driven taxation in Britain to higher figures than rule in the United States, but tax burdens prior to outbreak of war were roughly equivalent in both countries. The people of both countries in 1938 and 1939 turned back about one-fifth of their total national income to their governments in tax payments.

At beginning of rearmament program in 1940 taxes in this country provided a margin of unused taxable capacity far less favorable than when we entered first World War. At beginning of 1917, the national debt was a little more than \$1,000,000,000. Currently it is approximately \$47,000,000,000.

Misconception that Americans have always had a much easier tax burden than Britishers is holdover from early post war years when taxes in Great Britain were much heavier than in the United States. Starting with the late '20's, differential gradually narrowed. In the early '30's the national income of Great Britain showed relatively small decreases, as compared with that in the United States.

British taxes are broader

BASICALLY different tax structures also contribute to misleading comparisons. Income taxes in Britain are spread over a much broader base and fall far more heavily on low income groups. In Britain, for instance, for the most recent year, a married couple with two children, getting \$2,500, would pay an income tax of \$311; on an income of \$3,000, they would pay \$488; on either of those incomes in New York State they would pay nothing. The same family with an income of \$4,000 in Britain would pay \$842. Living in New York State, they would pay an income tax of only \$21 to the state and \$34 to the federal Government, a total of \$55.

But income taxes in the U. S. and Britain become much more comparable as they move into higher brackets. New and greatly increased U. S. rates are now under discussion, will certainly be adopted in some form by Congress soon. Though these new increases will probably not match those in Britain they will narrow the margin of difference.

Income and profit taxes, the Tax Foundation points out, are a much more important element in the British system where in 1939-40 they represent 40 per cent of total taxes, comparable with the 17.1 per cent of total U. S. taxes contributed by income and profits levies for the corresponding period.

Taxes in Britain are levied and collected predominantly by the national Government, local taxes in 1939-40 being only 16 per cent of total revenues. In contrast, state and local taxes amounted to 61 per cent of the total taxes collected in the United States for the same period.

There's a better way to be covered



The toll of robbery rises! Your business, large or small, needs the up-to-date protection of Burglary and Robbery Insurance as issued by Standard Accident of Detroit.

Low in cost, today's Standard policies insure against a wide variety of losses — through hold-up, safe-burglary, burglary or robbery of store and office contents, and damaged premises.

Act in time! Your local Standard agent or your own insurance broker can quickly provide you with Standard protection against this threat to business and home — and against loss due to automobile accidents; embezzlements; glass breakage; injuries to self, employees, or public; and similar hazards.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

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The Money Markets

By
Clifford B. Reeves

★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★

was recently charged in Washington. On the contrary, it is difficult to find any other business in which so many competing firms enjoy a share of any given piece of business; and investment bankers would be wise to emphasize that fact continually.

Defense Bonds Need Selling

THE Treasury Department, for some reason, seems unwilling to launch the promotion and hoopla that would insure the success of the Defense Bond drive. Treasury officials apparently cannot make up their minds whether they wish to rely upon the sale of bonds to the public to produce a major portion of the \$6,000,000,000 of new funds that the federal Government will have to raise within the next fiscal year.

When the Defense Bond program was only three weeks old, Secretary Morgenthau offered \$1,500,000,000 of new government securities in the open market, of which \$600,000,000 represented new borrowing and the balance refunding of outstanding issues. Most of this new offering was bought by the country's banks.

This is the easy way for the Treasury to do its financing, but it entails certain serious dangers of inflation that the sale of the Defense Bonds would obviate. This is the reason why so many financial people welcomed the Defense Bond program and why they joined with a will to make the effort a success.

The sale of government bonds to the banks is primarily a bookkeeping transaction that does not represent

an actual investment of savings. A bank simply takes new bonds and gives the Government a credit on its books, against which the Treasury can draw.

Money drawn by the Treasury from one bank finds its way into another bank. So the net effect of this whole procedure is to inflate bank deposits by an amount equivalent to the total value of the bonds bought by the banking system.

A recent Treasury Department report shows that a dangerous concentration of Federal bonds in the hands of the banking system already exists. The Treasury figures indicate that, on March 31, the commercial banks held \$17,596,000,000 out of the public debt of \$42,943,000,000, or about 41 per cent of the total. If defense funds are to be raised primarily by the sale of more bonds to the banking system, the base will be laid for an unprecedented credit inflation.

If, instead, such bonds are sold directly to individual investors, as was proposed in the Defense Bond campaign, the effect on the country's economy is far different. Bonds are then bought out of actual cash savings, the volume of consumer purchases is reduced, and no inflation of bank deposits takes place.

Bankers, who are well aware of this important difference between the two methods of financing, have strongly advocated the sale of bonds to the public. Many of them are now alarmed at what they regard as the failure of the Treasury to concentrate on that method of financing.

The weakness of the present Defense Bond program is that it has no real selling drive behind it. The bonds are merely "available" to the public at post offices, banks and other types of financial institutions.

Although thousands of private institutions are handling the sale of the bonds, they do so at actual expense to themselves. It is just as unreasonable to expect them to spend any great amount of time selling bonds at a loss as it would be to ask a manufacturer to supply the Government with airplanes at his own expense.

One way to develop the necessary sales drive, of course, would be to allow financial institutions a small commission on the sale of Defense Bonds—at least enough to meet their expenses.

Better organization and more ad-

Viscose Shows Worth of Bankers

THE importance and efficiency of the country's investment banking machinery were clearly demonstrated in the recent offering of the securities of the American Viscose Corporation by a nation-wide group of investment firms headed by Morgan Stanley & Company and Dillon, Read & Co.

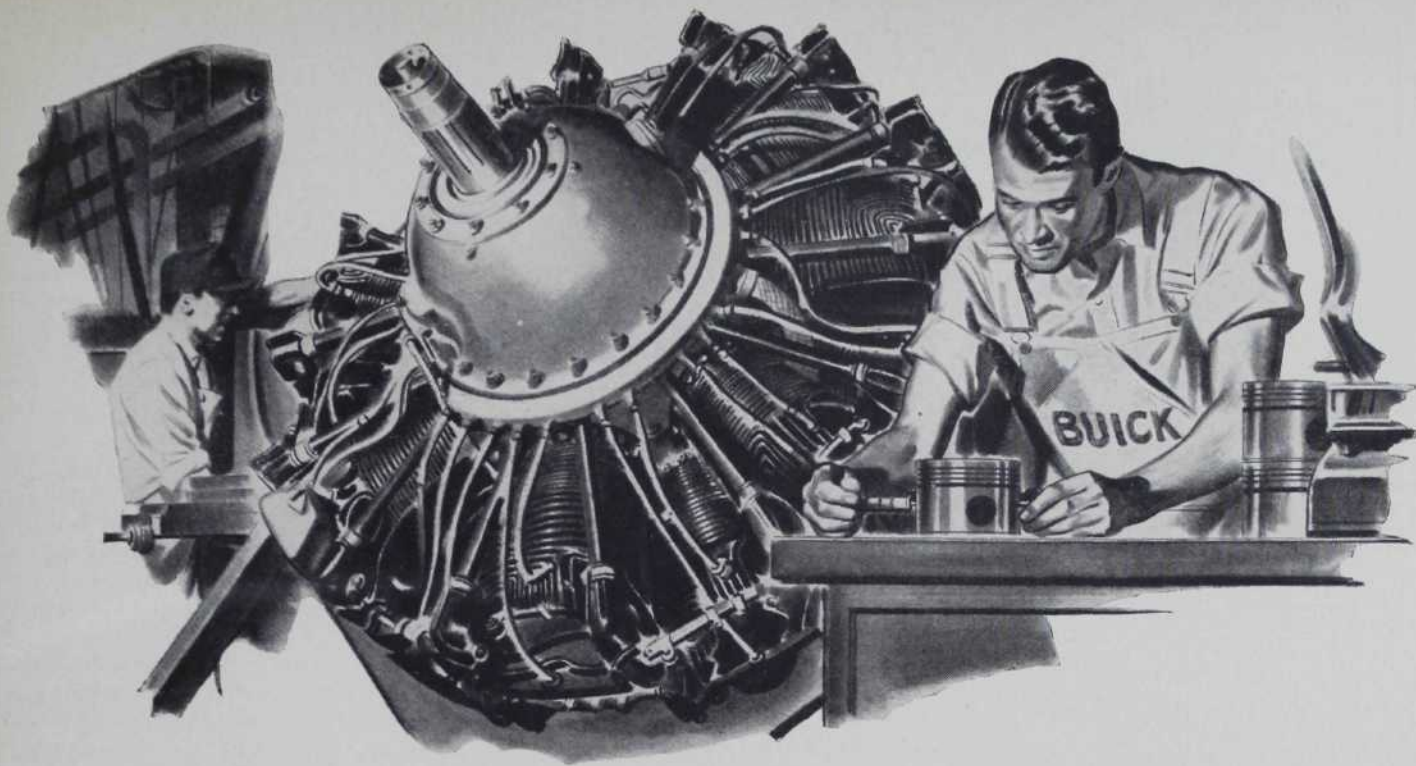
The underwriting and distribution of those issues represented the final step in the transfer of the ownership of this large industrial company from British to American investors. The offering, totalling \$62,000,000, comprised 228,480 shares of preferred stock and 1,568,000 shares of common, and was one of the largest stock underwritings of recent years. Its purpose was to provide the British with dollar balances for purchase of war materials in this country.

The transaction involved a gigantic job of distribution to many thousands of investors in all parts of the country, at a time when interest in equity securities was at an ebb. The task was further complicated by the fact that the Company had never before issued public financial statements, and was, therefore, almost completely unknown to American investors.

In spite of these difficulties, the job was brilliantly accomplished by one of the largest and strongest investment banking groups ever organized. The underwriting syndicate comprised 152 firms, in 33 cities and 23 states from Coast to Coast. The selling group, which distributed the bonds at retail to investors, comprised about 500 firms.

The advertisement of the offering appeared in 203 daily newspapers and in 24 periodicals, with a combined circulation of about 24,500,000. To emphasize the local aspect of the offering in various territories, the signatures of the underwriters in a given state appeared in all advertisements in that state. By this method of rotation, the names of every one of the 152 underwriting firms appeared in at least some of the advertising.

This method of emphasizing the number and local character of the firms that make up a nation-wide underwriting syndicate should do much to correct any erroneous impression that a virtual monopoly exists in the investment underwriting business, as



"ALL OUT" *has but one meaning*

THE call has been sounded for "all out" effort for national defense.

With such a purpose, "all out" can have but one meaning—every man to his job and every job done right.

The job that Buick is to handle has already been agreed upon—we are to make Pratt & Whitney valve-in-head airplane engines—and we intend to make them both speedily and well.

Now rising is the vast and super-modern plant specially designed for this complex undertaking.

Already on the job is a key

organization, getting things set so that plant may be ready for full-time productivity in the very minimum of time.

But it isn't Buick's way to sit and wait for buildings to rise when valuable time can be put to good purpose.

So production-wise Buick men, seasoned and experienced in every phase of automobile manufacture, are busy now getting the special "feel" of airplane engine production.

They are not waiting to learn from sad experience what differ-

ences there may be between airplane and automobile. With blueprint and micrometer, with "mock up" and trial part, with ceaseless prying into the whys and wherefores of actual airplane engine practice, these men are seeing to it that they will be equipped just as well as the new Buick factory.

We haven't got that factory yet, but we're getting it fast as busy hands can provide it.

And when we get it we'll be ready—ready to go to work and do a job in that good old Buick way.



"Best Buick Yet"

EXEMPLAR OF GENERAL MOTORS VALUE

Kimpak CREPE WADDING

Protects Your Product with "Shock-Absorber" Action!



KIMPAK® CREPE WADDING
HAS EXTRA RESILIENCY...
CUSHIONS EVERY BLOW!



Showing how Angier Chemical Co., Boston, uses KIMPAK to protect its cough emulsion from shipping damage.

SOFT, yet resilient, KIMPAK acts as a shock absorber for your product in transit... guards against breakage and scratches... saves time and waste in your shipping room... and dresses up your product as well.

You buy KIMPAK in rolls, sheets and pads of the thickness and size that meet your needs *exactly*. KIMPAK is inexpensive, light-weight, flexible... as easy to use as a piece of string. Since KIMPAK absorbs 16 times its own weight in moisture, it more than meets government postal regulations regarding shipping of liquids.

Don't delay. Mail coupon for new KIMPAK portfolio and for free samples for testing.

(*Reg. U. S. and Can. Pat. Off.)

Kimpak
CREPE WADDING

Protects your product
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FREE Kimpak Portfolio

KIMBERLY-CLARK CORP.
Neenah, Wisconsin

Address Nearest Sales Office:
122 E. 42nd St., New York;
8 S. Michigan Ave., Chicago;
510 W. Sixth St., Los Angeles



NB-741

Please send me Portfolio of KIMPAK.

Company

Address

Attention of.....Our Product is.....

vertising and publicity would also help to promote sales. Whatever the methods adopted, it is becoming apparent that something must be done to promote sales if the program is going to accomplish its objective as the major medium of defense financing and enable the Treasury to avoid the dangerous alternative of selling more bonds to the commercial banks.

Investment Banking Census

Bankers Association, revealed a number of interesting and hitherto unknown facts about that widely misunderstood business. Among other things, it showed that the capital funds available for security underwriting are larger than was generally believed; that the scale of salaries in the business is much lower than most people think; that the rate of earnings on capital is not at all exorbitant; and that the Government's "take" from the business, in the form of taxes, is far greater than that of the proprietors.

Reports received from 329 firms, including all of the important ones, indicated that, at the close of 1939, the proprietary capital of such firms totalled \$328,000,000. On this basis, it is estimated that the entire business probably has something between \$400,000,000 and \$500,000,000 of capital funds.

The announcement of these figures put at rest a lot of rumors that the capital of underwriting houses was insufficient to meet the needs of industry. This belief was so widely held that a move had recently been started to permit commercial banks to go back to underwriting corporate securities, to make more capital available.

The survey also showed that, of 12,687 persons employed by 345 investment underwriting firms, including officers and partners, 63 per cent received salaries of less than \$2,500 annually; 18 per cent drew from \$2,500 to \$5,000; 12 per cent ranged between \$5,000 and \$10,000; three per cent made between \$10,000 and \$14,000. Only three per cent received salaries of more than \$14,000 annually. Certainly no one could maintain that this represents an excessive scale of compensation in a business that has many professional aspects and which requires, on the whole, a high caliber of personnel.

The profits of underwriting firms were likewise found to be far from exorbitant. The 299 firms that reported their profits for 1939 showed a total net income of \$10,968,000, which was only 4.21 per cent on their

combined capital. Earnings were found to vary widely from year to year, depending on the rate of underwriting activity, but for the five years ended 1939, averaged 8.41 per cent on capital annually.

The only fellow who seems to be getting a real break in investment banking is the tax collector. Tax payments reported by 358 underwriting firms last year totalled \$52,045,000.

Turn for Better in Exchange Affairs

IN THE past few weeks, the cloud of gloom and defeatism that has enveloped the stock exchange business for a number of years seems to have been dispelled. A new spirit of optimism is in evidence; and many members feel that the Exchange has touched bottom and is now definitely on the rebound. This new confidence in the future of the business was evidenced by a sharp rise in the price of Exchange seats.

A number of recent developments have accounted for this change. One was the election of Emil Schram, former R.F.C. head, as paid president of the Exchange. Although the opinion on Mr. Schram is by no means unanimous among Exchange members, many of them welcomed his election on the theory that he had the complete confidence of the Administration at Washington. They believe that Washington will regard his views as unprejudiced and that he will therefore make a better advocate for the Exchange than any strictly Wall Street man.

Other constructive developments have been the recent improvement in relations between the Exchange and the S.E.C., and virtual certainty that the Securities Acts will soon be amended so as to relieve the Exchange of unnecessarily burdensome restrictions.

Members are also enthusiastic about the plan of internal reorganization of Exchange affairs that will be announced soon. This plan, based largely on the recommendations made by William Martin at the time of his retirement from the presidency, is intended to streamline the institution's organization and to centralize control by eliminating the cumbersome committee system under which the Exchange has always operated.

The Exchange used to be run like a woman's club, with endless committees. At one time there were as many as 40 separate committees conducting the institution's affairs. In recent years, these have been cut down to seven, and the new plan is said to call for the retention of only two—those dealing with admissions and with arbitration of business disputes. The

administration of all other activities will be conducted by the paid personnel of the Exchange, under the supervision of the Board of Governors.

The reorganization plan will also call for a reduction in the number of Governors, but will provide greater representation for out-of-town members.

Brokers are also pleased at the prospect of higher commission charges, and hope that the Exchange may be able to work out a plan for a "dealer market" on the floor of the Exchange, to keep on the Big Board the large amount of trading in listed securities that is now done by dealers "off the board." The S.E.C. is understood to be entirely sympathetic on this point, feeling that business on the board will give more satisfactory publicity to dealer transactions in listed securities.

War's Effect on Common Stocks

WITH the United States getting closer to war each day, many investors are trying to

determine what effect an all-out war effort would have on common stock values.

In this connection, the trends of stock prices in various European countries under an actual wartime economy are of particular interest at this time. The figures available on European markets over the past two years are not complete. But, as far as they go, they seem to indicate that industrial common stocks have done reasonably well in spite of blitzkriegs. Whether the gains registered in many European markets are accounted for by increases in earnings, by increasing confidence of investors, or by fear of inflation, cannot be determined. But the fact remains that prices in most European markets have risen.

With the reminder that the European experience does not necessarily set the pattern for what might happen in America, here are the wartime trends in leading European centers:

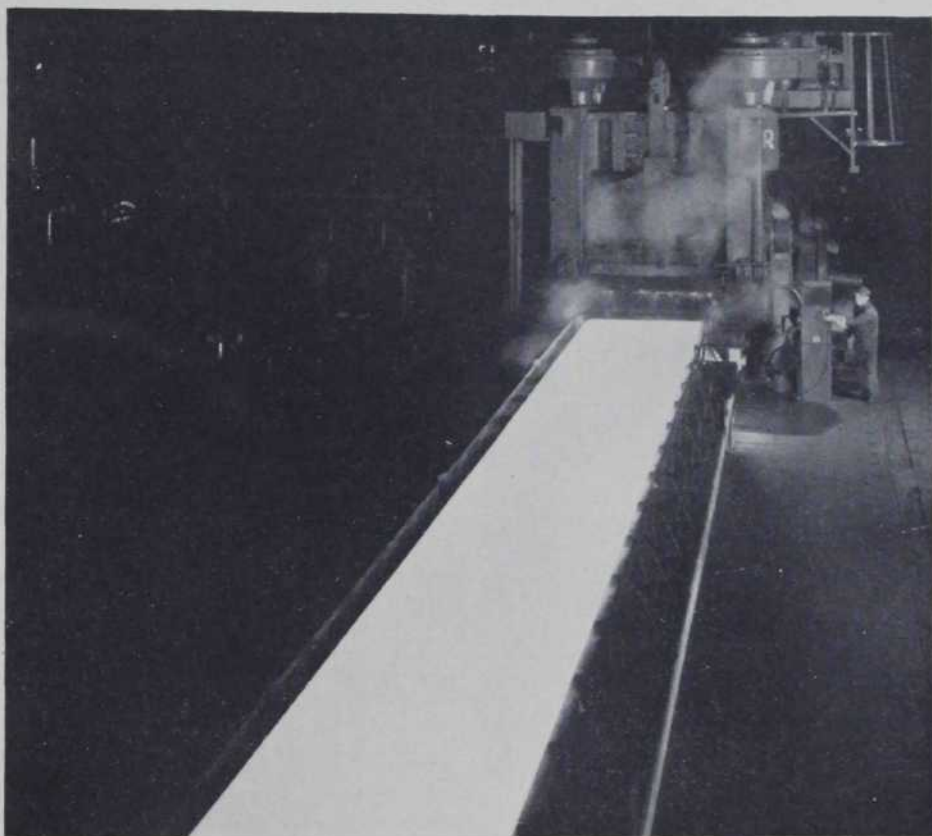
In the London market, industrial stocks, as measured by a price index, have depreciated less than ten per cent since the start of the war.

In Amsterdam, a leading index of industrial stocks shows a gain of more than 20 per cent since the summer of 1939.

The *London Economist* reports that, since the invasion of Belgium last May, "a recovery of 80 per cent to 100 per cent has been the rule" in the Brussels stock market. This same publication also reports a boom in industrial shares in unoccupied France.

In Berlin, where speculative enthusiasm has probably been increased by Nazi military successes, industrial stocks, as measured by an index, are now about 40 per cent higher than they were at the beginning of the war.

YEARS AGO WE GOT READY FOR TODAY



AND NOW WE'RE GETTING READY FOR TOMORROW

A continuous sheet mill is like a battleship—in two ways. It takes a long time to build one. And it costs millions of dollars. Yet without this continuous process of rolling iron and steel sheets, America would not be nearly so well equipped to take care of the urgent needs of today.

Back in the early 1920's The American Rolling Mill Company developed the Continuous Rolling Process. Almost like magic a 17,000-pound block of white-hot steel is whisked into a great mill that rolls it into a wide 900-foot ribbon of metal—in less than 3 minutes! Flat rolled steel capacity has almost tripled since this revolutionary invention. And to millions of American

families it has helped to bring improved and lower-cost metal equipment for their homes—to say nothing of countless industrial uses.

Yet with all the present feverish activity in meeting defense needs, persevering men in the ARMCO Research Laboratories are looking beyond today's crisis. They are searching for new steels and new uses, getting ready for a tomorrow that will require more and better steels for the many wants of a world at peace. The American Rolling Mill Co., 2391 Curtis St., Middletown, O.



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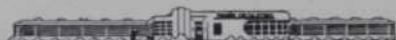
...are an important
factor in all defense
plans and operations.

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CALCULATING MACHINE CO. INC.
FACTORY AND HOME OFFICE
SAN LEANDRO, CALIFORNIA

Young Man on an Eminence

(Continued from page 91)

checks. Something hotter than rivalry exists between the Farmers Union, the Farm Bureau and the Grange. The latter organizations went away from the New Deal.

According to some stories, Casey's present job is to bring them back, or bring their members, which is a quite different thing.

After the Democratic convention, Casey resigned from Farm Credit by mail.

He remained in Chicago to organize the National Committee for Agriculture. This ingenious organization was dedicated to the purpose of getting campaign contributions from government employees in the agricultural field. On its face this was violation of the Hatch Act.

In practice, it turned out to be something else.

Using a list obtained from the Department, the organization sent letters to the employees' homes informing them that their contributions for Roosevelt's re-election were essential to "protect this hemisphere, this country and your fireside." Holdouts received a second letter calling attention to the fact that they had not been heard from.

This correspondence brought monumental outcry from the press and the opposition but Senator Hatch ruled that, since the letters were sent to employees' homes and they had not been solicited at work, his act had not been violated. Casey reported later that he had raised \$130,000.

Meanwhile, in his own state, Casey gave his support to Senator George L. Radcliffe's campaign for the Democratic Senatorial nomination. Radcliffe was definitely a Tydings man, a fact that Casey dismissed with the comment that Radcliffe was "the lesser of two evils" and at least more of a New Dealer than Howard Bruce, his opponent.

Barns join electioneering

WHILE all this was going on, Neighbor Plummer was devoting space on his barns to signs urging the election of Willkie and Walter Johnson who was running for Congress. Ironically, political by-gones being by-gones, Casey had rented one of his own farms to Plummer and had to stand helpless while that barn, too, shrieked for Willkie.

He did the best he could by enlarging the Roosevelt signs on his remaining property.

On one occasion, week-ending at home from his Chicago activities, he found that someone had inadvertently rented the outdoor panelboard on his land for a Willkie poster. Casey promptly threw green paint across it. A controversy ensued with threats of litigation. Then a convenient storm blew down the disputed board.

Such vehement loyalty attracts atten-

tion and it is the way of politics to give rewards. One imagines, however, that rewards, in Casey's case, posed politics a pretty problem. Although the man was an earnest apostle of what he believed the New Deal to be, he was also forthright and practical.

His experience under Tugwell demonstrated that, in fields he understood, he was quick to spot inefficiency and loud in talk about it.

Some weeks ago he received the title, "Special Executive Assistant." He has an office in the State Department but his job is presumably liaison between the White House and the Department of Agriculture. He also "makes contacts" and reports what he hears.

His salary is \$6,400 a year which, his friends say, means he is making a tremendous financial sacrifice. Others regard it as velvet. His duties, according to this view, are not so onerous as to interfere with his building enterprises. As president of the Casey Engineering Company, he regularly employs some 85 men. Rumor gives him a reputation as a hard task master, an impeachment he admits:

"I work hard for my money. I expect a man to earn the dollar I pay him. But I will pay him."

However that may be, he has never lost an hour through labor trouble. His men belong to a union and, even before they did, he paid union wages. Years ago, when builders were trying to keep Washington an open shop town, he sided with employers.

Recalling that, he says:

"I was a reactionary snob."

Today, he says, a great transformation has come into his life and he now has a "lot of the milk of human kindness."

A recent incident has left his Montgomery County neighbors in some doubt about that.

Among the Casey enterprises is a building development in Montgomery County. For convenience, a road was indicated. The county commissioners said he could build it. The citizens of Oakmont, a special taxing area chartered by the state of Maryland, said he couldn't. They maintained that the commissioners had no authority to authorize a road since such a thoroughfare would lie partially on their area.

In the face of these protestations, Casey workmen appeared recently, and began making preparations toward road building. It could have been coincidence that work started on Good Friday, a legal holiday in the county. Outraged citizens, seeking an injunction, found no court sitting, or intending to sit, until Monday. They did make such earnest representations, however, that operations ceased but not until several trees had been cut down. Later the citizens obtained a Circuit Court temporary injunction and an order challenging the Commissioners to show cause why a perma-

Dear Mom:



Well, here it is another weekend and I'm not a General yet. But give me time.

Matter of fact, I have too much time on my hands—on evenings and weekends.

The nearest village is 5 miles away. All you find there is a general store, a garage and a canning factory—nowhere to go for any good clean fun, unless you drop in at a smoke-filled juke joint on the way.

Well, Mom, there's a big favor you can do me. The U. S. O. is trying to raise \$10,765,000 to run clubs for us, outside of camp. Places with lounge rooms, dance floors, games, writing rooms. Places you can get a bite to eat without paying a king's ransom.

I know you don't have an idle million lying around, but if you could get the family interested and some of the neighbors, and if that happened all over the country, the U. S. O. could raise \$10,765,000 overnight.

I'd appreciate it a lot, Mom, and so would every other mother's son in the U. S. Army and Navy.

Love,
Bill

They're doing their bit for you. Will you do your bit for them? Send your contribution to your local U. S. O. Committee or to U. S. O., Empire State Building, New York, N. Y.

RANK
GODWIN

**OPEN YOUR HEART
OPEN YOUR PURSE
GIVE TO THE**

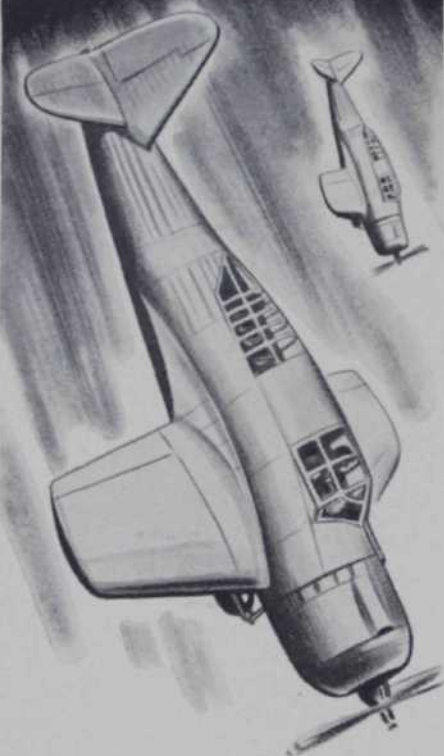
U ★ S ★ O ★

UNITED SERVICE ORGANIZATIONS

These organizations have joined forces to form the U. S. O.: the Y. M. C. A., National Catholic Community Service, Salvation Army, Y. W. C. A., Jewish Welfare Board, Nat'l Travelers Aid Assn.

This space donated by **THE HOME INSURANCE COMPANY NEW YORK**, Fire, Automobile, Marine Insurance

"Air Raids" on Your Balance Sheet?



INTERRUPTIONS, delays, spoilage, high maintenance—all are frequently caused by lack of proper AIR CONDITIONING.

Yes—in addition to improvement of human health, comfort, and efficiency, air conditioning also improves products and processes by providing dust-free air of proper temperature and humidity.

But your air conditioning plant should be properly designed and installed. Seldom are any two air conditioning problems alike. That is why FAIRBANKS-MORSE maintains a staff of competent engineers near you. They know local climatic conditions.

Perhaps you are already thinking of air conditioning as a health builder for your balance sheet. Why not find out now just what can be done? That can't cost you anything—nor obligate you in the least. Use the coupon.

F-M High-Boy Air Conditioner; self-contained, water cooled, requires no structural alterations in building for installation. Available in 3- and 5-ton capacities.



Fairbanks, Morse & Co., Dept. G133
600 S. Michigan Ave., Chicago, Ill.

Gentlemen: We are interested in learning what air conditioning can accomplish for us. Our problem is one of: ☐ comfort; ☐ health; ☐ manufacturing process.

Name

Address

City State



FAIRBANKS, MORSE & Co.
Air Conditioning Division

ment injunction should not follow. The Commissioners were quickly served, but Casey wasn't found.

Thoughtful people in the community profess to see more in the incident than the rape of a few trees. They regard it as an effort to take power from local communities and lodge it elsewhere for political reasons.

Some people who know Casey doubt if he had any motive except to build a needed road. They believe him to be neither subtle nor sinister. They doubt that he has been chosen as the envoy who will lead farmers back to the fold. That, they point out, will need tact and skill in arbitration.

They fail to find these attributes in Casey although they find others equally admirable.

He has, they say, extraordinary ability in his own line. He does things, he

gets things done.

"I think you're unfair," said a man who read the first draft of this article. "What you say is true, but you make things sound worse than they really were. Casey is a swell fellow."

By this man's estimate, Casey's row has frequently been made unduly hard by men who resented taking orders from one many years their junior. Youth on an eminence has frequently encountered that obstacle. However, when Casey rises to the realm of social philosophy, it is hard to repress a smile.

"Don't get me wrong," he told a recent interviewer. "I'm no conservative. I'm further to the left than any of these fellows around here."

But when Socialism was mentioned:

"I'm against that. I believe in the capitalistic system. I believe Roosevelt saved capitalism."



4,000 Parties on One Day

The 100th anniversary of any American business is an event worthy of special distinction—there are only about 80 in the United States that can celebrate a birthday which indicates such stability and longevity in this comparatively new country, so when the Security Insurance Company reached its century mark, officials of the company determined to make it an event that would reach every corner of the country.

As visible evidence of a birthday and in keeping with old-time birthday traditions, the company cooperated with ice cream manufacturers in the delivery of an ice cream cake to its 4,000 agents in more than 3,500 cities in the United States and Canada so that every employee in every agency would receive a piece of cake on the same day. The cakes, made to special order, consisted of ice cream moulded to resemble a white birthday cake. According to the ice cream manufacturers, no such broad scale delivery on a single day had ever before been attempted.

Peter J. Berry, shown above with Mrs. Berry, is president of the company which has home offices in New Haven, and departmental offices in Toronto, Chicago and San Francisco.



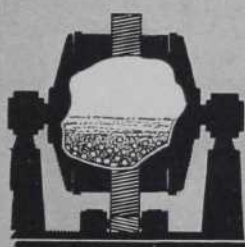


Deep underground in Butte mines, ore is drilled, blasted loose, and transported to the reduction works—preliminary to the following eight major steps necessary to obtain pure copper from earth-bound Montana ores.



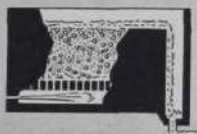
*We're
busy*

producing vital Copper

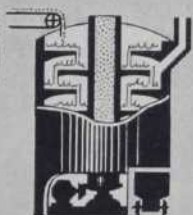


Ore is then crushed and ground to particles finer than sand.

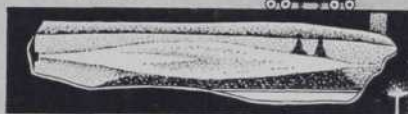
Right—Flotation separates the copper-bearing particles from waste material.



Right—Flotation concentrates are dried; then the sulphur content is removed in roasting furnaces.



Smelting then takes place in reverberatory furnaces.



Below—In huge converters the molten mass is further purified.



Below—After additional furnace treatment, copper containing gold and silver is cast into anodes.



Below—Electrolytic refining produces pure copper cathodes and permits recovery of the precious metals.



IN mines, smelters and refineries we are producing copper day and night... and our fabricating subsidiaries are working at the highest rate in history on copper and copper-alloy sheets, plates, rods and tubes, and on electrical wires and cables—all of which are required in huge quantities for National Defense. Every resource at our command is devoted to the on-time delivery of the essential metals which we produce and fabricate.

OTHER VITAL METALS

In addition to the production and fabrication of copper and copper-alloys, Anaconda produces zinc, lead and other important non-ferrous metals, as well as nodulized manganese ore... all essential to national defense.



Copper cathodes are then melted in refining furnaces and cast into commercial shapes 99.9% pure.

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25 Broadway

New York

This tree may land on your breakfast table



TO GIANTS from the vast forests along the Northern Pacific Railway you may owe both the roof over your head and the newspaper on your breakfast table.



TAPPING the principal forest reserves of America, in Washington, Oregon, Idaho, Montana and Minnesota, the Northern Pacific hauls more than 5 million tons of forest products annually—is prepared to carry even more as defense demands.



NORTHERN PACIFIC is meeting the challenge of defense needs with 22½ million dollars worth of new freight cars and locomotives—and with the speed and service that has earned it the name of "Main Street of the Northwest."

R. W. CLARK, Vice President—Traffic
St. Paul, Minnesota



"Dead Beat" Cities Can Reform

(Continued from page 74)

to good behavior. This is how it happened in Des Moines. In the spring of 1935, the city council adopted what became known as "the miracle budget" because, with its wild guessing at revenues, it would have been a miracle if a huge deficit were avoided. It wasn't.

Department heads had talked a weak-willed council into agreeing to much larger budget expenditures than those of the previous year. But these would have far exceeded the expected revenues for the coming year. So one of the councilmen suggested:

"Let's boost the anticipated receipts other than taxes from the \$212,000 collections of last year, to \$400,000 for this year. We'll find some way to collect it."

It was actually as crude as that.

Fighting official misconduct

THE Bureau of Municipal Research then brought suit against the city on the grounds that it had boosted its budget estimates over the amounts it had published the previous August when the taxes were levied. This was an indirect approach to the problem.

The lower court ruled with the city.

But later, the Iowa State Supreme Court reversed the district court, in a scathing opinion written by a fine old jurist who detested such sloppy financing. He declared:

"Such wilful misconduct in office, as was indulged in here, would authorize the removal from office by a proper action, of the parties so doing."

As a result, \$112,000 of the city's warrants were ruled to be illegal. Action could have been taken against several official bonds but the taxpayers' group decided not to do so because of the risk of making martyrs out of the responsible officials. Most of them were voted out of office a little later anyway.

The next step occurred in 1937 when a law was passed which permits taxpayers, upon a suitable petition, to appeal a tax budget proposed by a local city, school or county taxing body to the state budget appeal board consisting of the state comptroller, auditor and treasurer.

In the summer of 1937, the city council decided upon a new tax budget more than \$500,000 larger than that of the previous year. So many aroused citizens appeared at the public hearing that it was adjourned to the city hall porch on the river front. Despite this demonstration, the council declined to reduce the levy and the citizens appealed to the state appeal board. That tribunal ordered the city to reduce its tax levies by \$363,000.

The 1937 state legislature drove still another nail into the coffin of Old Man Deficit with a law incorporating a suggestion outlined in the Supreme Court decision. It prohibits a city council from estimating the new year's revenues, other than taxes, in any larger amount than that actually collected in the previous

year. This would prevent another "miracle budget." It also prohibits a city council from appropriating to spend in any year more than 95 per cent of the proposed tax levy. This stops a practice that has caused many city deficits. A 100 per cent tax collection is rare.

This provision was borrowed from practices in other cities.

This law forced Des Moines city councils to adopt virtually deficit-proof budgets which required realistic estimates of revenues other than taxes and a five per cent allowance for uncollected taxes.

As a result of this fight by citizens for the financial solvency of their town the city finished 1940 with a clear operating fund balance of more than \$100,000; for 1941, it was more than \$200,000.

Here was an impressive civic reform brought about by the patient, persistent effort of citizens. Similar procedure would bring similar results in any of the scores of American cities afflicted with the deficit habit.

Mr. Chatters makes a further suggestion as to how cities can be placed on a balanced budget basis. He refers to the practice of 28 state governments which make quarterly allotments of their yearly budgets. Before a new allotment can be spent, the governor, comptroller or other designated officer checks the revenues to see if they are coming in as anticipated. If these appear to be falling off enough to presage a deficit, the next quarterly allotment is reduced. Chatters recommends that this practice should be carried into municipal finances.

A problem of short term loans

MR. Chatters also recommends a law which would forbid cities from making any short term loans which cannot be paid in the current year. He explains that many municipalities are empowered to make short term loans between tax-paying periods. These loans are supposed to be paid off when the second half of the property taxes is collected. But, if taxes do not come in as anticipated, at least a portion of the loan must be extended into the next year. Some cities have become all snarled up financially due to the overlapping of these unpaid short loans. Frequently they are finally funded by a bond issue.

The ethical standards of a city government which cannot live within its current income are likely to be as demoralized as those of a family similarly afflicted. Suppose the time comes in the present perilous period when the city cannot borrow as usual to wipe out its customary yearly deficit. This means payless pay days for city employees and other distressing situations which certainly would not help the city gear itself to the present defense needs.

While wives are preparing bundles for Britain and sons are in military service, fathers can help the common cause by making certain that their home towns are placed on a sound financial basis to ride out present economic storms.

Who Pays the Piper?

(Continued from page 70)

portion of the American economy. So the moderate inflation now under way is due primarily to the recent wage increases. This will result in price increases in ever widening circles. The price control authorities may inveigh against price increases and seek to delay the process as long as possible. But, in the end, it will be necessary to allow prices to rise somewhat to prevent the elimination of profits.

Another inflationary force now in operation is directly chargeable to government policy. The Government is promoting increases in the prices of certain agricultural prices in the interest of its general policy of establishing parity between industrial and agricultural prices. Thus, despite large agricultural surpluses, the cost of foods is increasing.

Increasing food prices, together with increasing costs of clothing and fuel, will become the basis of a new inflationary push next autumn. The rising cost of living will doubtless bring new demands in the autumn for further advances in wages to maintain purchasing power. Thus the "vicious spiral" will be in danger of gaining momentum.

Inflation redistributes income

PRICE inflation has profound effects upon the economic system. It causes an extensive redistribution of national income. The havoc is wrought by the fact that, while commodity prices rise, many types of income remain stationary or increase but little. As a result, some groups of people are pinched while others gain.

Among those who are likely to be pinched in the process are salaried workers, many groups of wage earners who are not in a position to obtain prompt adjustments in their rates of pay, people dependent upon pensions, insurance and income from bonds and mortgages. Even those who depend upon dividends may be adversely affected, because rising taxes prevent an increase in dividends. This redistribution of wealth and income is the greatest single cause of discontent in time of war; and it therefore seriously impedes the war mobilization program.

An inflation of prices is, moreover, always followed by a period of deflation, which is accompanied by business depression and a resulting reduction in income for nearly everybody. Profits or other monetary gains realized in a period of inflation are likely to be wiped out with interest in the ensuing period of readjustment.

The first steps—irretraceable—have been taken. All that we can hope to do is to restrain henceforth the rate and the extent of price increases. There is good reason for believing, however, that the present inflation will be moderate as compared with that of the World War period.

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MEMO

for Busy Readers

1. States make use of aircraft
2. Traffic safety an old problem
3. Farmers want low gas tax

Planes Speed State Affairs

its worth to state administrations throughout the country. North Carolina owns five planes, using them in civilian flight-training courses at the University of North Carolina. Pennsylvania owns three planes; Connecticut, Maine, Michigan, New Jersey and South Carolina, two each. Florida, Idaho, Illinois, Massachusetts, Nebraska, New York, Tennessee, Texas and West Virginia have one each. State directors of aeronautics own the planes used for public service in Idaho and Massachusetts, state granting them allowance for travel expense.

Eleven state aeronautics agencies operate aircraft exclusively or primarily in airport inspection, licensing, and educational work on air safety. Forestry divisions in Maine, New Jersey and New York, and fish and game agencies in Maine and Texas own and operate planes.

In eight states, the agencies operating aircraft make the air service available to other state departments and officials. State police in Connecticut, Michigan, New York and West Virginia are aided by state-owned planes. Aeronautics departments of Connecticut and Michigan assist fish and game departments in enforcing laws, aid in forest fire patrol.

Only four states charge other departments for use of the planes owned by the state aeronautics authorities. Massachusetts charges \$12 an hour; Michigan \$11 an hour and expenses of the pilot; Idaho, 12 cents a mile; and West Virginia from ten to 15 cents a mile.

Although planes are not operated primarily to transport state officials, agencies operating air services report that "state flying" saves time for officials, provides rapid transportation in emergencies, supplements commercial airlines, and makes all parts of the state accessible in a few hours.

Capital cost per plane, as reported by the Bureau of Public Administration of the University of California, ranges from \$1,500 in Tennessee to \$15,000 in Michigan, typical state-owned plane costing about \$7,500. Michigan, which makes extensive use of aircraft, reports

operating costs for last fiscal year about \$7,000 for two planes with combined capital cost of \$30,000. Rhode Island may buy a plane on a "pool" basis, to transport public officials, patrol forest fires, to feed wild life after heavy storms and for use in tree-disease and fish-trap control.

Road Safety a Problem in '16

FAR away and long ago as are the days when metropolitan traffic hazards were figured on the basis of two automobiles to a large city, the fact that collisions did occur is imperishably recorded. By 1916 the "thunder buggies" had multiplied so fast that the Aetna insurers saw occasion to issue a safety booklet for the benefit of motorists.

Because high-strung horses were a persistent problem, the booklet was specific in telling Father what to do when he met an animated road hazard during his Sunday afternoon spin with Mother. "Don't pass a horse at high speed," the booklet warned, adding "give him a chance to get acquainted with an automobile."

If Father was at a loss as to how to introduce his car to Dobbin he had only to read the next sentence in the booklet: "If you see a horse is frightened, speak to him gently. Your 'whoa, boy' will mean more than his driver's. It will go far toward convincing his intelligence that your car is not such a strange monster after all."

The now much-debated question "Are men better drivers than women?" was something of an issue, for the booklet advised Father that "Women should not be allowed to drive alone until they have become experienced operators." Nothing at all was said about allowing inexperienced male operators on the road alone. Possibly this oversight hastened the day of women's suffrage.

As for pedestrians, "The man who runs across the street in front of you," Father was told, "may be hurrying home for supper. It takes him longer to get there than it does you, so give him a chance."

How great was the accident hazard in the old "get out and get under" days? The booklet made clear at least three

places with warnings to the motorist to exercise extreme care when he stopped by the roadside to make repairs or when his car was being towed home after a breakdown.

But speeding, which now costs thousands of lives annually, did not rank as a major cause of automobile accidents.

Farmers Oppose Gas Tax Boost NATIONAL Grange asserts that cost of transportation constitutes biggest single service charge agriculture has to pay, protests imposition of additional federal tax of one cent a gallon on gasoline. Position of farm group is weighted by fact that farmers own and operate more than 1,000,000 motor trucks, one-fourth of country's total.

Significance of the motor vehicle to the farmer may be read from records of the United States Department of Agriculture.

Approximately 27 per cent of the butter, 39 per cent of the eggs, 65 per cent of the poultry, 40 per cent of the fruit and vegetables, 62 per cent of the cattle, 61 per cent of the calves, 68 per cent of the hogs, 29 per cent of the sheep and lambs, and 50 per cent of the mules and horses are moved from farm to market by truck.

Increased cost of farm production is reasoned from consideration that gasoline bought by farmers is used in part for plowing, harrowing, threshing, pumping water, operating spraying machinery, sawing wood, grinding feed and for similar purposes.

Army Spending Ups City's Tax

PAY days with consequent rush of retail trade leave streets of Columbus, Ga., so littered that increased cost of refuse removal is reflected in rising tax rate.

Monthly pay roll of nearby Fort Benning is \$4,500,000.

Trash collections for first quarter of 1941 show gain of 40 per cent over corresponding period in 1940, before thousands of soldiers and construction workers were added to local population. Increase of traffic has added to collection difficulties because pickups from alleys can be made in less than 40 per cent of business section. To lick the job, additional equipment and more street cleaners have been provided, schedules rearranged, and householders asked to separate refuse for collection.

Other public works problems have shown up in Columbus. Maintenance required on both paved and unpaved streets is greater owing to larger volume of traffic and number of cuts necessary for gas, water and sewer service to new building construction.

More than 90 per cent of the laborers on city W.P.A. sewer and paving projects have transferred to private and "defense" construction work. Thirty streets which the city had decided should be improved go unpaved because of labor shortage.

Need of parking accommodations is so acute that parking in business area is rigidly restricted, with only metered parking permitted on most congested streets.

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Just some channels in the bushing faces. It's simple!

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DIVIDEND NOTICE

Common Stock Dividend No. 102

A cash dividend declared by the Board of Directors on June 18, 1941 for the quarter ending June 30, 1941, equal to 2% of its par value, will be paid upon the Common Capital Stock of this Company by check on July 15, 1941, to shareholders of record at the close of business on June 30, 1941. The Transfer Books will not be closed.

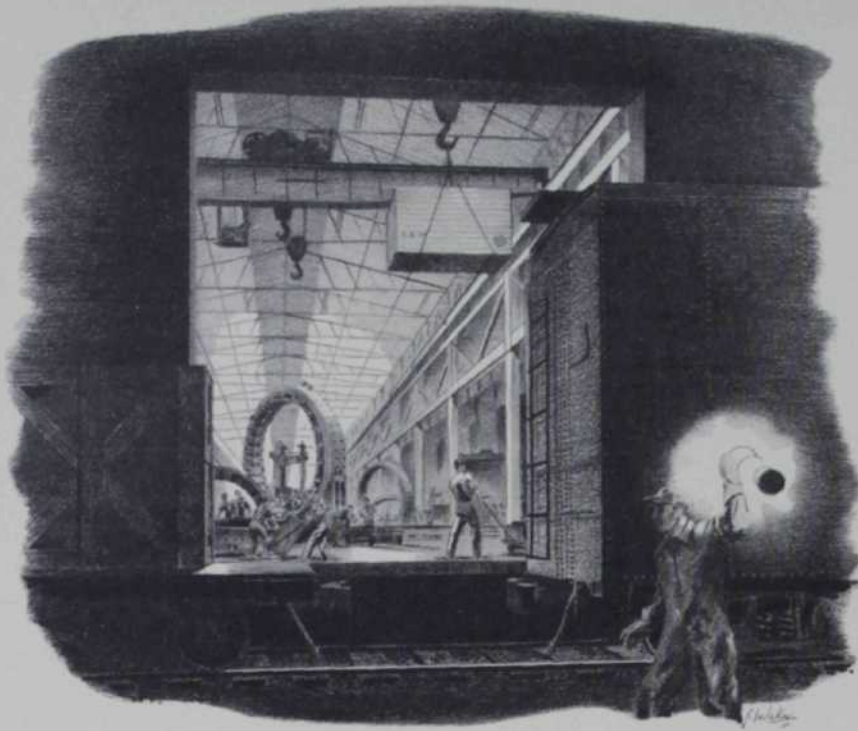
D. H. FOOTE, Secretary-Treasurer.

San Francisco, California.



WOODSTOCK

TYPEWRITER



Out of the Night

IN LOS ANGELES it is eleven o'clock; in Detroit, one; in Schenectady it is two o'clock in the morning.

In Los Angeles a young riveter moves a little faster down the row of rivets that stitches a gleaming airfoil. In Detroit a helmeted welder concentrates on the harsh arc that knits two pieces of steel plate. In Schenectady a veteran machinist watches a little more intently the lathe tool that pares a precise 1/1000 of an inch from a 20-inch steel shaft.

Listen! You will hear them: staccato beat of rivet guns . . . crackle of welding torches . . . harsh whisper of turning lathes. The sounds of America working!

Look! You will see them: factory windows ablaze at night . . . long freights rolling by in the twilight . . . somewhere in Newfoundland six bombers, motors idling, poised eastward on a runway in the gray dawn. The signs of America producing!

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The Men who Race with Death

(A story of progress in automotive research)

HOW MANY LIVES the ambulance drivers of America have saved through their skill and courage cannot be estimated. It is reported that in a single large city there are over thirteen hundred emergency ambulance calls a day. The driver and the doctor who rides with him must consider *every* such call urgent; and the ambulance, itself, must not fail them in their race to save precious minutes and lives.

It is a tribute to the engineering genius of the automotive and petroleum industries that gasoline engines were soon made so reliable, so fast, so easy and sure to start, that they could be used in emergency vehicles—ambulances, police patrols, utility repair trucks. But the men of these industries are not resting content with what they have produced. Each day they are striv-

ing further to improve engines and fuels so that all of us may enjoy the benefits of still better automobiles, trucks, buses, tractors and airplanes.

In this further development, Ethyl research workers offer both product and service to the automotive and petroleum industries. For while we are in business to help refiners improve gasoline through the use of our product—anti-knock fluid containing tetra-ethyl lead, we realize that better fuels are of value only in so far as engines are improved to utilize them—and vice versa. The two must progress together.

Today our research laboratories in Detroit and San Bernardino are serving the engineers of both the automotive and petroleum industries

as a "clearing house" for automotive progress—cooperating in and directing individual research efforts toward common goals. And Ethyl service engineers are assisting many commercial users of fuels and engines to take advantage of day-to-day improvements. By serving technical men in every phase of automotive development we serve "everybody." For even those advances which for the moment are of interest only to engineers will ultimately result in giving the public better and more economical transportation.



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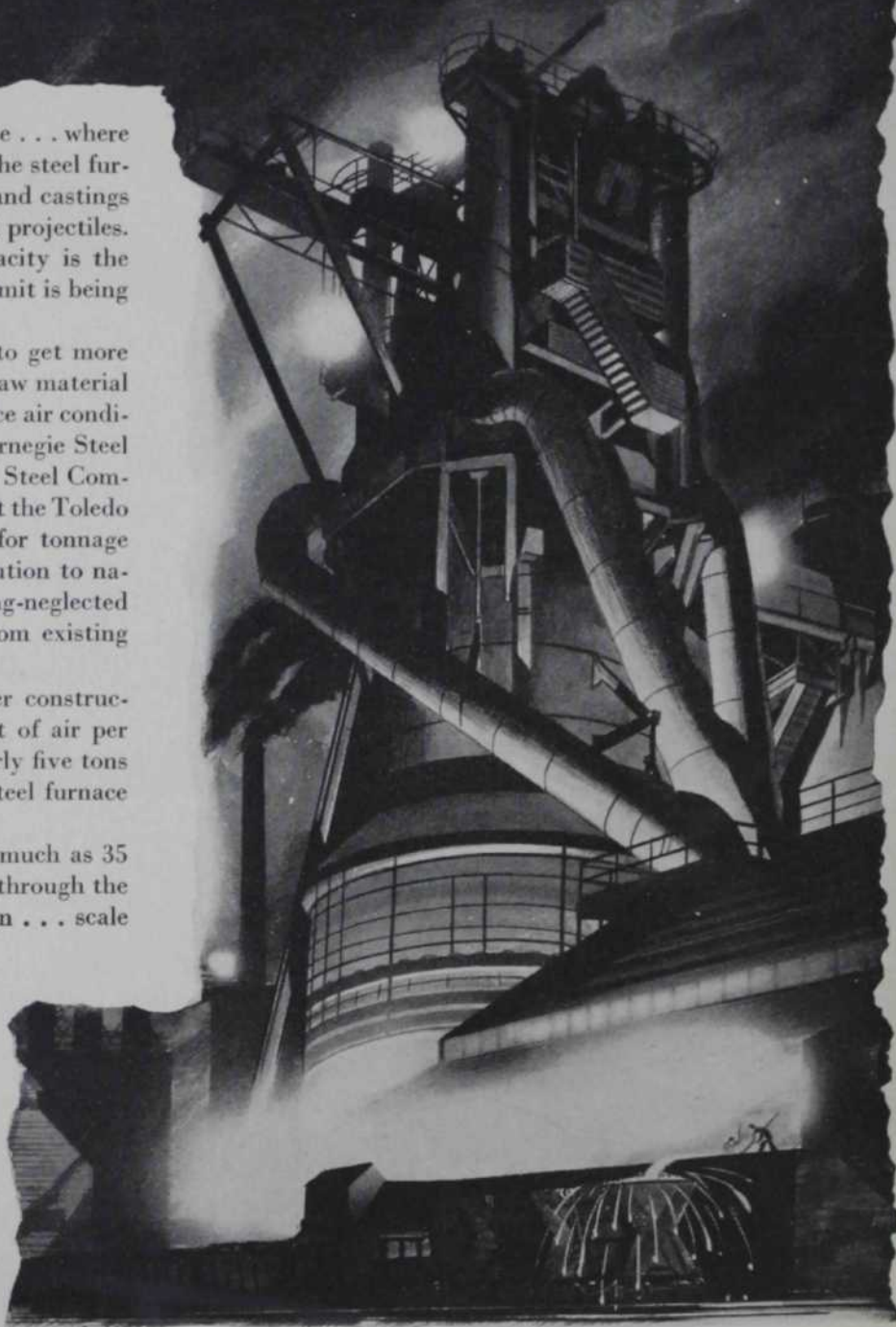
DEFENSE begins at the blast furnace . . . where ore is reduced to molten iron for the steel furnaces which in turn supply the billets and castings for guns and tanks and battleships and projectiles. Truly, the limit of blast furnace capacity is the limit of defense production. And that limit is being expanded thanks to air conditioning.

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